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Ideas on Liberty

AUGUST 1974

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What Are You WORRIED About?

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What Are You WORRIED About?

RALPH BRADFORD

"I can't understand people like you," the man said. He was a person of middle years, who spoke pleasantly and courteously, but a bit accusingly. "What upsets you so? What are you worried about?"

I had just addressed a University Club audience, followed by a question and answer session. My subject had been "Our Lives and Goods," (see *The Freeman*, February, 1974) and upon that theme I had tried to construct an argument for limited government, the free market, and the unabridged right of a man to the "goods" he has created. Apparently it was my summation of the denials and dangers of supergovernmentalism that had aroused my inquisitor.

"Look," he said, with a kind of patient exasperation in his voice, "we are living in the greatest age of all human history. The achievements of science are fantastic in scope and consequence. We have put men on the moon, and we are already starting to explore Venus and Mars by means of unmanned probes. As for invention, well, you have only to utter the word 'computer' to summarize its achievements."

He paused for breath and I broke in. "But what," I said, "has all this to do with your question?"

"I'll get to that in a minute," he answered. "Indeed, what I am saying is all really a part of my question. I remind you that we live amid comforts and luxuries that were undreamed of a few generations ago, even by the very rich. We have extended education to every social and economic level. Our standards of living are high. Our government has ameliorated the condition of the poor. We have established a system of old age pensions. All this, of course, has cost money, yet we are not hard

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up. If you say taxes are high, or that the cost of living has gone up, I reply so have wages and salaries."

I had been waiting for him to run down, and at last he did – not, apparently, for lack of argument in his forensic arsenal, but because he wanted to get back to the question he had first propounded.

"Faced with all this," he said, "I simply can't understand your attitude. Amid all this dazzling evidence of progress, prosperity and general well being, what in the world is it that upsets you so? What are you worried about?"

Freedom in Jeopardy

Well . . . it was a stumper – not that its content was new or formidable, but because of its timing. Other people were waiting, and I was already late for a subsequent appointment. What quick answer could I make to such a question? What would *you* have said – assuming that you did not secretly half agree with him? I could only attempt a kind of symbolic response.

"I'm worried," I told him, "because the loaf of bread for which four years ago I paid 26 cents, and which now costs 52, may soon be priced at a dollar or more. And I am also concerned that some day soon I may be required to secure permission from a Washington bureau before I can travel here to address this organization."

I was trying thus on the one hand to convey the threat of ruinous inflation and on the other to indicate the menacing nuisance of Big Brotherism, both of which are the result of a naive reliance upon the supposed omniscience (and the actual power) of government as a social agency. I was remembering the steady erosion of the American dollar in my lifetime – the pair of shoes I used to buy for $8 which now cost $60 – with the result that I no longer wear that brand; the shirt that once cost me $2 for which I must now pay $10.50; the steak dinner I used to get for $1.50 which now sets me back at least $7.50 – on the rare occasions when I am steak-hungry enough to think I can afford it. More realistically, I often recall the thick and juicy hamburger, with all the trimmings, that was once available at Dinty Moore's place for 15 cents, and compare it nostalgically with its anemic present-day counterpart for 95 cents!

But if my erstwhile questioner were here now he would no doubt remonstrate thus: "Your income is higher. All wages and salaries have gone up proportionately." And I would in turn ask him: "But what of the millions of people who are on fixed incomes – retirees,

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pensioners? How have they fared in all this? To be sure, social security payments have gone up somewhat, and are being increased again this year – at the expense of us all; but what of the man who worked and saved and made what he thought was prudent provision for his less productive years? In terms of what it will buy, his carefully accumulated capital has shrunk by nearly a third in the past few years, and by nearly two-thirds in the past thirty."

Inflation in France

In his introduction to Andrew D. White's essay on *Fiat Money Inflation in France*,* Henry Hazlitt points out that under inflation the real purchasing power of savings is constantly eroded, that all savers are cheated, that thrift is discouraged, and that the source of investment is dried up. Thus inflation not only robs the frugal citizen by destroying the value of his money, it also injures the economy by diminishing the flow of investment capital.

In passing we may observe that the financial condition which obtained in the France of 1790 was the classical pre-condition for a deliberately-induced inflation; namely, a long-continued period of debt accumulation by reason of governmental spending in excess of revenue (known today by the deceptive euphemism "deficit financing") and allowing the debt simply to go unpaid. Eventually a time came (as it always does) when to prolong this unbalanced condition could lead only to general economic collapse; and it was then that the General Assembly came up with the decision to "cure" the situation by the issuance of four hundred million livres (the equivalent of about 395 million francs) in paper notes called *assignats*. They looked good, because they were to be "secured" by a mortgage on the vast church properties that had recently been seized by the state. Moreover, they bore interest at 3 per cent. They were launched with great fanfare and received with general acclaim. And of course there was an immediate response in the economy. Some payment was made on the public debt; pressure on the treasury was relieved; credit was revived; trade increased. The rosy predictions of those who had favored and sponsored the assignats seemed to be on the way to fulfillment.

But it took only seven years for the beautiful bubble to burst! The tragedy of the assignats has been well and frequently told, and it is not my purpose to dwell on it here

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– except for these brief moments while I hold it up as a horrible example. The story can be summarized quickly. In the first place, political human nature being what it is, a single issue was not enough. If one dose of that magic medicine worked such wonders, let's have some more of the stuff! We must get out additional and bigger issues of that healing paper! So the original issue of 395 million francs was soon doubled, trebled, quadrupled, by subsequent issues. Before long the assignats themselves were retired and superseded by other bills known as *mandats* – which soon proved to be equally valueless. In only seven years (by 1797) twenty five hundred million mandats had followed 45 *thousand* million assignats down the economic drain!

In terms of the American dollar, the collapse of this paper air castle meant that a bushel of flour which cost only 40 cents in 1790 cost 45 *dollars* five years later. Other drastic changes during that five year period were these: a pound of sugar – from 18 cents to $12.50; a pair of shoes – from one dollar to forty dollars; a head of cabbage – from 8 cents to five dollars – and so on.

Did wages and salaries also go up, as my inquiring friend asserted? Undoubtedly – but *that* much? And anyway, what of the frugal Frenchman who had been carefully "putting something by for a rainy day?" He, of course, and thousands like him, were completely wiped out. And so were a lot of people farther up the economic scale. This is illustrated by the preserved record of a well-to-do manufacturer who had retired from business in 1790 with the equivalent of 317,000 francs, and only six years later found that his property was worth only 14,000 francs. The present-day American counterpart of that experience would be for a man to have saved up $63,400, only to find that in six years' time its value had shrunk to $2,880.

"Not Worth a Continental"

But we don't have to reach so far back for such examples – nor so far away. Paper bills issued during our own Revolution were known as Continentals; and what became of them is still memorialized in the phrase, "Not worth a Continental." More recently, many elderly Germans remember what happened to the Weimar Republic mark of the early nineteen twenties, when it took a million marks to buy a loaf of bread – or maybe two million by three o'clock the same afternoon. Still closer to our times, the French franc, which had long been five to the dollar, shrank after World War II until it was

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over 300 to the dollar; and during the same period the Italian lire dwindled until it was peddled by bell hops at 600 or more to the dollar. Do you suppose French and Italian wages ever caught up with that much inflation?

And what of Argentina? It is a rich and beautiful country, very similar to our own in climate and natural resources. My first visit there was in 1947. The peso was still strong at four to the dollar. I went back in 1951; and in that time, after only four more years of Peronism, the peso had shrunk to twenty to the dollar. And of course it continued to plummet until by 1968 it was well-nigh worthless at 350 to the dollar. All this, of course, practically wiped out the savings of the Argentine middle class.

But "this can't happen in the United States." Who says it can't? The same kind of people who said it couldn't happen in the France of 1790 or the Germany of 1920 or the Argentina of the nineteen forties – people who, like my inquiring friend, calmly disregard the lessons of history and believe we can continue, year after year, to urge or to allow the Federal government to spend more than is realized through taxation, and still avoid the disaster of crippling, if not ruinous, inflation. The deadly process is a little slower and less dramatic with us, but it is under way nevertheless. It is already happening!

And *that* is what I am worried about. But it is not all.

Big Brother

I also fear the implications of Big Brotherism. This I expressed earlier, in the idea that I might presently be required to secure a travel permit in order to go someplace to fill a speaking engagement. I do not think such a requirement is imminent. Certainly I can now proceed unmolested about my lawful occasions. But it is by no means fantastic to speculate upon such a possibility – such a *probability*, one might say, if the steady march toward complete governmentalism is not halted.

Ours is an increasingly government-oriented society; and the tendency in any such society is ever toward more central regulation, not only of economic operations but of individual affairs. Already some leaders of what might be called the Post-Keynesian clique are openly speculating upon how much a citizen should be allowed to save, and how much should be taken away from him for public works and other "social benefits." Such speculation presupposes a governmental elite of sufficient wisdom to set aside the

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workings of the free market, and of enough power to force great masses of people to accept a wholly arbitrary and quite fallible direction of their lives.

But this is America! We have no dictators or revolutionary tribunals to push us around. We do as we please within the law. We are not victimized by the State. We *are* the State. Well . . . that being the case, I sometimes wonder why it is that I can't buy a new car unless it is equipped with a seat-belt device that won't let the car be started until the belt is properly buckled up. Understand, I have no quarrel with seat belts; I am concerned with Big Brotherism. We have complete freedom, except, of course, that I am forbidden to own or use gold coins. Nobody can take my property away from me, except that a planned inflation has deprived me of something like half of my life savings. I can engage in any occupation or business I like, except that I am forbidden to set up in the lucrative enterprise of delivering letters, because that is a government monopoly.

Small things? Or straws in the wind? What do you think?

We are not here dealing with mere fear-born fancies. Conditions of excessive direction and of outright repression exist in many parts of the world, alas, and not merely under communism. I well remember the complaints I heard in Copenhagen some years ago about government interference in a very down-to-earth matter. Like Amsterdam and some other European cities, the Danish metropolis is a place where seemingly the whole population moves on bicycles. Yet at that time the individual could not purchase that everyday necessity without first obtaining a permit from a designated bureau of the government. And in Sweden, with its vaunted "Middle Way," I found great resentment and some distress because, since housing was a state monopoly, young people wishing to get married often had to wait months before they could even apply for an apartment, and sometimes several years before they actually got it. Some Swedish moralists even attributed the great increase of premarital sex partnerships to this bureaucratic housing restriction.

Expected Under Communism

In the communist world one expects this sort of thing – regulation and regimentation not only of behavior patterns that affect the economy, such as the purchase of bicycles or the renting of apartments, but of social attitudes and even of mental exercises. Yugoslavia, freer than most communist regimes from this kind of tyranny,

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nevertheless sees the former trusted lieutenant of Josip Broz serving a long prison sentence because he dared disagree – in writing! – with parts of "Tito's" program. And of course the persecution of literary dissenters in communist Russia is not limited to the dramatic expulsion of a Solzhenitzyn, but has long been practiced, and in much crueler form. As for China, what could be more drearily awful than to see millions of young people flaunting a little red book and mouthing the not-so-original "thoughts" of Mao? Well, yes, one thing could be worse – to reflect upon what happens, once a "cultural revolution" is unleashed, to anyone who does *not* wave the little red book!

The worst of such terrorization is not so much in the degradation of intellect with respect to ideology and dogma, as in its general effect upon the attitude and behavior of average people. Once, while Peron was at the top of his power in Argentina, I was in Lima, Peru to attend a hemispheric business conference. There was still a pretense of complete freedom of opinion and expression in Buenos Aires; yet in Lima I saw a prominent Argentine businessman support a resolution which struck at the very heart of progress through freedom of enterprise under representative government. It was opposed by the U. S. delegation, and by nearly all the Latin American representatives. Moreover, it was totally out of keeping with what we all knew of that man's philosophy. Yet he stoutly defended it; and when he was privately reproached about it, he pointed out that the Argentine delegation was dominated by several representatives of the Peron regime, and said quite frankly that he didn't dare oppose them if he hoped to continue in business when he got home.

An Argentine Experience

An even more subtle demonstration of intimidation was offered on another occasion in a Buenos Aires hotel where my wife and I had spent some days. Enroute down on the ship, and while there, we had enjoyed pleasant contacts with a Methodist Bishop and his wife from Oklahoma. Ready for departure, we were all chatting in the hotel lobby. An American ministerial friend of the Bishop's, who lived in Buenos Aires, was there to bid him goodbye. He asked me if we were going on the same plane with the Bishop to the west coast, and I, thinking to make a cute reply with a scriptural flavor, said: "Oh no; I'm playing Joshua to the Bishop's Moses, and will first go down into Patagonia to spy out the land." A harmless wisecrack – but,

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believe it or not, at the phrase "spy out the land" the clergyman was visibly startled and looked around apprehensively, to see if anyone else had heard me! Such is the conditioning of repression. Such is the involuntary response to ruthless Big Brotherism.

I should record in passing that this sort of fear tended to diminish as one got farther away from Buenos Aires, where it all centered in the Casa Rosada. In Baraloche, for example, far west and high up among the Andean ridges, I had a long talk one day with a local businessman who told me quite openly that he belonged to the opposition, and said that his attitude was well known. However, although he hated Peron, he insisted that conditions of repression had been exaggerated abroad, and that police-state methods were actually no worse under Peron than they had been in earlier years under one of the so-called "constitutional" Presidents. As to that, I was not impressed, because I recalled that the great old newspaper *La Prensa* had been ruthlessly seized, silenced, and converted into a Peronista Party organ. (A present-day parallel would be for Richard Nixon to take over by force the *New York Times* and compel it to become the *Pravda* of the Administration.) But whether by Peron, or by whomever, the fact was that the people of Argentina had been periodically subjected to police-state methods of intimidation, and I was a witness to some of the oblique results.

A Frightening Trend

Far away and long ago? Yes. But the spirit of central direction, of repression, of you-do-it-our-way-or-else, is by no means dead in the world. It lives ghoulishly in Russia at the present moment, as it does also in China and Yugoslavia; and it thrives elsewhere, too – in Albania, in Czechoslovakia, Bulgaria, Romania, Hungary, and in several of the "emerging" countries of Africa, where adventurous dictators have seized power. Sometimes it is evidenced by acts of raw violence; sometimes it reveals itself in the capricious administrative laws promulgated by irresponsible bureaucrats. But the effect is always the same: at best intimidation, at worst, terrorism and abuse; at best irritating bureaucratic interference, at worst banishment, imprisonment – or death.

Inflation that eats and cheats and robs; Big Brotherism that nags and torments and kills. That's what I'm worried about. Are you?

Well . . . if you are, you can do something about it. At least you can make a beginning; for as

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Rome was not built in a day, the destructive effects resulting from several decades of superstatism can not be neutralized overnight. It will be a long and difficult process, the more so, perhaps, because it must start, and continue, with some uncompromising self-analysis. Every concerned person must ask himself whether he really understands the forces at work, and whether he himself is in any degree responsible for them.

But first of all, don't panic! Mine is not a heedless and irresponsible voice crying "Fire!" in a crowded theatre. So walk, don't run – not to the nearest exit (for no exit from this country leads to any place better or half so good) but to some quiet corner fit for contemplation, there to consider a little of history, a bit of elementary economics, and a small analysis of human nature.

Enroute to that corner, take heart. The theatre is not about to burn down; neither is the country in flames. Our America is durable, enormously endowed by nature, fabulously rich – the home of a resilient and resourceful society. We have done much to weaken it, but it has survived our most destructive efforts, and the end is not yet.

Consider first our history, encapsulated for brevity. After the period of adventurous exploration, our part of the Western Hemisphere was settled by people who were eager for wider opportunity and greater freedom than they or their fathers had known in the older world. When at last our new nation was established, it was based on a passionate belief in that same freedom as a necessary condition for human happiness and progress. Inherent in that belief was the spirit of initiative and self-reliance as to personal status and welfare, and a strong philosophy of minimal government as to political institutions. This was epitomized in Jefferson's famous formula: *The best governed are the least governed.*

Erosion of Freedom

As the decades went by, this concept was gradually diluted by the intervention of an imaginary self-interest. That is where "human nature" entered the equation. Ideally men want freedom of action (within recognized and formulated rules called laws). Ideally they want a government that protects them from aggressors, provides a situation of security and stability . . . and then lets them alone. But they also want favors, advantages, special privileges, and always "something for nothing." Thus the citizen who wants the government to provide "security" for his old age; thus the farmer

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who wants the state to subsidize his crops; the businessman who wants the treasury to underwrite his developments or guarantee his investments; the labor leader who seeks the advantage of a special status under the law; the local booster who wants Washington to spend nine zillion dollars for this, that, or the other installation of doubtful necessity or merit. In short, thus an importunate army of people who almost without exception are wont to excoriate the government for its alleged or actual extravagances, but who demand loudly that it meet their special "needs" – and who see no inconsistency in their ambivalent attitudes.

These diverse interests and countless others inevitably breed politicians who thrive by catering to the various groups or "blocks" identified with such demands; and the end result is a burgeoning administrative bureaucracy which soon adds not only its heavy cost but its self-perpetuating energy to the general thrust toward debt accumulation and concentrated power. All this is done, often without conscious guile, in the name of motives so noble and humanitarian that to oppose or question them is to be branded as unprogressive, unrealistic, lacking in social vision, and generally undesirable. It was Pascal, I believe, who said: "Evil is never done so thoroughly and so well as when it is done with a good conscience."

It is to be understood, of course, that we are not here concerned about the basic protective functions of government. Obviously an organized society must have laws and sufficient governmental machinery to enforce them. Obviously also, a growing nation will require new laws now and then, and modifications of old ones to meet changing conditions. It would be hopelessly doctrinaire to expect a nation of over 200 million people to need only the laws and require only the governmental machinery that sufficed for its primitive or agrarian period. Even the "thou shalt nots" necessary for the ordinary protection of life and property must be increased to cope with the proliferation of criminality born of institutionalized cupidity.

Nor is this a plea for the unbridled exercise of whimsical personal "freedom" such as now seems to titillate the fancy of certain types of younger social "philosophers." Quite the contrary, one of the primary functions of government is to prevent such indulgence by a few from diminishing the freedom or invading the rights of others. Man, unfortunately, (or perhaps we should say fortunately), has never been free from the

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consequences of his own greed; and government, even under the least amount of Big Brotherism, must exercise certain restraints in the interest of justice for all. A society that operates under law must have the governmental machinery necessary to enforce the law and administer those functions entrusted to it, or enjoined upon it, by the basic law or constitution under which that government exists.

A Question of Solvency

So much for a glance at history and human nature. What of solvency and its part in the affairs of men and governments?

Hardly anyone will dispute the value of personal solvency. The man or family that constantly lives beyond his or its means is soon in trouble. Quite apart from the matter of reputation and standing in the community, credit for such people begins to get tight and soon is not to be had at all, which is both a commercial inconvenience and ultimately a social handicap. Nearly everybody, whatever his political beliefs or economic philosophy, recognizes solvency – that is, the ability to live within one's income, pay one's debts, and save something for emergencies – as the minimal condition for a satisfactory fiscal experience. To adopt the old Micawber formula of spending a little less than is earned is still the goal of most people in their private lives.

But many, alas, do not apply that same simple principle to governmental finance. Even businessmen who are careful to keep their operations solvent, often see nothing amiss in having their government go deeper in debt year after year, with a resultant and cumulative cheapening of the currency. Moreover, some who profess to study and teach economics as an academic discipline have gone over to the big-spend-and-never-pay-it-back philosophy; and the attitude of such economists reached what for me was a climax of absurdity when, in justifying one of the many grossly unbalanced Federal budgets of recent years, they said in effect that it was okay, because it was a full-employment budget, based on what employment would have been that year if only it had been up to where it ought to have been!

And so more billions were heaped onto the staggering debt of over 400 billions, and the already overburdened taxpayers will again be penalized, more paper will be issued, the currency will be further diluted, and . . . .

But at this point faint, distant voices seem to break into my musings: *What nonsense you are*

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talking, Messieur! These assignats are as good as gold! . . . Hey, what are you, Mister – some kinda anti-American or something? Why man, these Continentals are perfectly sound money . . . . Liber Gott! How you talk silliness! Do you believe our good Herr Ebert would let these marks become worthless? . . . But Senor, our peso is as good as the silver for which our country was named. More! – It is as good as gold!

Why Gold?

As good as gold! Why that hopeful refrain? Gold was demonetized in this country some 40 years ago, yet in everyday speech it is still cited as the standard of excellence. That is because across many centuries of human experience that yellow metal has been a symbol of value and stability. Perhaps it is not possible at this advanced stage of inflation to persuade people to stop relying on periodic doses of unsupported paper money. That is part of the look-to-Washington syndrome. But it is equally impossible for a concerned person to stop trying!

In their hearts and out of their own life experience, people know, they really do know, that there is no substitute for *value*, given and received, in human exchanges. Yet over and over again mankind, of different races and languages, all over the world, have sought economic ease and a societal paradise in high-sounding governmental programs aimed at improving the conditions and quality of life. And time after time such programs have failed because, however hopefully they may have been started, they become based ultimately upon the principle of governmental insolvency. And that leads inevitably to the abandonment of sound money and finally to ruinous inflation.

What can you do? What can I do? We can first of all consider whether we ourselves have been responsible citizens or importunate mendicants. We can stop looking to Washington for the solution of every problem. We can cease saying "there ought to be a law" and begin thinking "there must be a basic principle – let's find it." We can realize that the good life is not to be achieved through Federal bankruptcy. We can know, and keep saying, that safety for all is grounded in solvency for all.

We can study the history of human progress to learn how and why the voluntary market mechanism better serves the ends of society than the methods espoused by the devotees of coercive Big Brotherism. We can learn from the lessons of history that the most fundamental of all market principles and practices is to let

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the market be free – to let those who exchange goods and services (and that, one way or another, is nearly all of us) choose and use as money the most trustworthy marketable item available. This, over the long course of civilization, happens to have been one of the precious metals, usually gold or silver. That, of course, is because the supply of these metals is such that no man or group of men can arbitrarily increase or decrease it to an extent that will materially injure or inconvenience others. The point here is that a government, no less than an individual, must have some trustworthy, non-fluctuating, non-flappable, medium of exchange.

That greed and rapacity exist and must be curbed; that there is crime that must be detected and punished; that society should be protected from its enemies, whether within or without – all this goes without saying, since that is the end and aim of government. Hence organization, hence police, hence the military; and hence a certain amount of bureaucracy, and expense . . . and taxes! Such things are the price we pay to avoid barbarism and escape anarchy. But the price, in such terms, should be kept at the minimum required for the government to do its job. As for us, we can know and constantly proclaim that the bright and cherished ideal of a better society and a richer life for all will not be served in the long run by having more government, but less.

Here in this America we still have the best hope of Earth. It is far from perfect, but it shines and glows beside its nearest rivals on the world stage. It has been, and is, the scene of vast achievement, growth, invention and social progress. But it begins soon its third century of national life – and it has already long outlived many nations that were great and powerful when it was born. How we live our lives may determine its fate. Will it continue as a world exemplar, with solvency and freedom as its base, or will it become a kind of terrestrial White Dwarf – a collapsed star in the galaxy of nations?

IDEAS ON LIBERTY

Frighteningly Similar

THE WORLD of the Roman Empire in the first two centuries is almost frighteningly similar to modern North America in its excesses and in its wealth and, above all, in its devotion to materialistic success at the expense of the spiritual and the intellectual.

W. G. HARDY, *The Greek and Roman World*

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The Taking Issue

BERNARD H. SIEGAN

THERE IS a small clause in the Constitution of the United States which does not frequently claim public attention, yet its importance cannot be overestimated. It is part of the Bill of Rights contained in the Constitution and it is the one that protects the individual against government greed. I refer to that last clause of the Fifth Amendment to the Constitution which reads as follows: ". . . nor shall private property be taken for public use without just compensation."

This is known as the "taking clause," for it prevents governments from taking away or confiscating the property rights of the individual.

There would seem to be nothing extraordinary about a rule in a non-totalitarian society that requires government to pay for property it takes or acquires from its constituents. It places the government in the same status as any stranger to the property – and after all, government consists of a great many strangers. It is a prohibition against theft by government in a sense comparable to innumerable other laws that prohibit theft by any of its citizens.

Under the terms of this clause, the courts have upheld as legal many laws which deprive owners of valuable property rights. Still, over the years, even as there has been this erosion of property rights, the clause has tended at least to prevent outright confiscation of property and many zoning and other regulatory laws have been invalidated.

It costs more money to buy property than to take it – and this obvious fact has been a cause of concern to those who believe that government can use the property more wisely than its owner. A private group, The Task Force on Land Use and Urban Growth, in a widely distributed summary re-

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port and book, recently expressed concern that the taking clause will make excessively expensive the land use policies they would like adopted and consider in the public interest. They propose that more land be restricted for open space and for other purposes they believe desirable, and find the taking clause to be a serious obstacle to these objectives. The task force therefore has suggested that the whole taking issue be reconsidered and that henceforth development rights for private property rest with the community, rather than with the property owners.

How Freedom Is Lost

Similar arguments can be made with respect to any scarce resource or commodity – and we may expect other "task forces" to proceed on other fronts. There are always some benefits to be derived by taking from some and giving to others.

Two members of the task force are high officials of major banks and I am confident they would agree that regulations lowering the bank rate from 10 per cent to 2 per cent would certainly benefit many. But such regulations would also destroy our banking system which benefits the vast majority.

The inevitable results of increasing the number and amount of such controls is to terminate the freedom of the individual to acquire and own property – in all likelihood the freedom considered most important by most of the people.

Nor is it fair that the burden for providing the presumed welfare of others should be borne by the owners of only those properties used for public purposes. The accident of ownership and location would select those persons in society to carry the burden of paying for benefits that will accrue to others. It amounts to a rather crude way of redistributing wealth on a most unfair and irrational basis.

The taking clause not only serves the equitable and moral concerns I have set forth, but it also furthers very functional values in our society. First, when things cost nothing, there is no limitation upon their acquisition. This being a time when many municipalities and individuals would like to curtail future growth, they could quite readily do so if there were no cost involved in restricting much of the balance of their land for parks or open space. A great amount of land would thereby be removed from development or production to the detriment of business, employment, industry, agriculture, housing, etc.

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Opportunity Costs

America, as a land of parks and open space, would also be America, the land of worse housing and higher rents. Budgetary considerations at least curb an insatiable government appetite and operate in the interest of a more efficient and equitable allocation of our resources.

Second, the incentives of our society for owners and developers to own and use land for productive purposes would be destroyed. Why own land or contemplate using it if it is subject to confiscation at the whim of government? Or if one does own land zoned for certain purposes, he would rush to use it before the politicians changed their minds. At the very least, a more chaotic market would result.

The Bill of Rights in our Constitution has often thwarted the aims and desires of government and its officials, and that is exactly the effect the authors intended: to protect the individual against the might of government.

True to form, the taking clause worries officials of the Council on Environmental Quality, the federal environmental agency that has been considering land use legislation. In what appears to be a strong effort to minimize the legal importance of this clause, the Council has published and distributed a 329 page book titled *The Taking Issue,* that perhaps might more appropriately have been entitled *The Stealing Issue.* The book fails to mention that the major victims, in addition to those who own certain properties, would be those who benefit from a system allowing private ownership – and that in the final analysis, includes just about everybody.

IDEAS ON LIBERTY

Private Property

BARBARISM has its earmarks, and the acquisition of property through conquest or superior force is notably one of them. Civilization, too, has its earmarks, and the orderly disposition of property through the medium of deeds, leases, wills, and other contractual arrangements is not only an earmark of civilization but an absolute prerequisite.

EDWARD P. SCHARFENBERGER

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Price Competition and Expanding Alternatives

GARY NORTH

The decisive impetus toward capitalism could come only from one source, namely a mass market demand, which again could arise only in a small proportion of the luxury industries through the democratization of the demand, especially along the line of production substitutes for the luxury goods of the upper classes. This phenomenon is characterized by price competition, while the luxury industries working for the court follow the handicraft principle of competition in quality.

Max Weber[1]

WE USUALLY think of Karl Marx and Friedrich Engels as the two major critics of the coming of modern capitalist methods of production. Yet in terms of their impact on the thought of mid-nineteenth century European life, the founders of "scientific socialism" were of small importance. It was Lenin and the Bolsheviks who made Marx's thought, in retrospect, the pinnacle of criticism, the touchstone of anti-capitalism. It was not Marx or the radicals who sat in Parliament and produced the famous Sadler Report of 1831-32, that massive, detailed, and highly biased enquiry into factory conditions in Britain, but rather conservative critics of the New Industrialism, and their temporary allies, reforming liberals. Engels used these reports – the so-called Blue Books – to write his book, *Conditions of the Working Class in 1844*, the study which was to convert Karl Marx to a theory of class struggle.[2]

[1] Max Weber, *General Economic History* (New York: Collier, [1927] 1961), p. 230.

[2] The Sadler Report was followed by two other reports that were far less incendiary and far less critical of the factory system, but few historians have ever heard of them, let alone read them: *First and Second Reports of the Commission on the Employment of Children in Factories* (1833) and *Supplementary Report* (1834). Unlike those who testified before Sadler's committee, these men were under oath.

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Marx, of course, had no use for reforming liberals like the politician-businessman, Michael Sadler, but he did understand why traditional conservatives would join with socialists in their critique of capitalism. In Marxian terms, the conservatives were representatives of the old feudal order, an order that was being relentlessly, ruthlessly crushed by the new techniques of capitalist production. Theirs was a dying order, Marx believed; the bourgeois capitalists were everywhere triumphant. Conservative reactionaries and soft-hearted ameliorating liberals, he argued, could do nothing to reverse the forces of production and the direction of historical forces, but their critical pamphlets served Marx well as sources of data for his pamphlets. Capitalism did serve one useful purpose, as far as Marx was concerned: it was crushing the reactionary feudal past. Robert Nisbet has commented on this bit of historical irony:

> This is why the indictment of capitalism that comes from the conservatives in the nineteenth century is often more severe than that of the socialists. Whereas the latter accepted capitalism at least to the point of regarding it as a necessary step from the past to the future, the traditionalists tended to reject it outright, seeing any development of its mass industrial nature – either within capitalism or in a future socialism – as but a continued falling away from the superior virtues of Christian-feudal society. It was what the socialists *accepted* in capitalism – its technology, modes of organization, and urbanism – that the conservatives most despised.[3]

Price Competition

The feature most hated by the older producers was capitalism's relentless service of the poorer buying public. The division of labor is limited by the extent of the market, Adam Smith had correctly observed, and in order to use the newer, more specialized techniques of production, capitalists had to broaden their markets. The most efficient means of gaining access to new markets was price competition. All the British troops that marched off to India and the Far East in a quest for new markets in the day of England's "glory" never matched the market-broadening effects of a 25 per cent discount at home. The producer who could not match this discount steadily was forced out of the market, that is, was forced to give up control of scarce economic resources that could better be used to satisfy the demands of

[3] Robert A. Nisbet, *The Sociological Tradition* (New York: Basic Books, 1966), p. 26.

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the public in the hands of more efficient producers.

How could poor, uneducated buyers compete against the entrenched wealth of the English landed aristocracy? How could their meager purchases compete against the wealthy man's competition for the services of producers? How could some dust-covered miner hope to bid scarce economic resources away from the men of wealth? Simply because there were so many of them! As capitalist techniques of production steadily increased the output of the laboring classes, the poor became slightly but steadily less poor. A few pennies here, a few yards of cloth there, multiplied a million times over: no aristocracy on earth was rich enough to withstand this relentless economic pressure of slightly less poor men, when so many of those men were being created by the labor markets of England. As individuals they were poor, especially before 1840, but they were not so poor as they had been in 1780, and here was *the* new fact of life for producers using the older methods of production. Men who could not afford fine wool suits could now afford a cheap cotton one, and very rapidly it became obvious to English entrepreneurs that it would pay more dividends to start producing hundreds of thousands of cotton garments than a few thousand high priced wool or silk ones.[4] "The outstanding fact about the Industrial Revolution," wrote Mises, "is that it opened an age of mass production for the needs of the masses. The wage earners are no longer people toiling merely for other people's well-being. They themselves are the main consumers of the products the factories turn out. . . . There is in the market economy no other means of acquiring and preserving wealth than by supplying the masses in the best and cheapest way with all the goods they ask for."[5]

Because capitalism, with its free mobility of labor, its right of voluntary contract, its emphasis on personal responsibility, and its supporting ethic of thrift and planning, opens new opportunities for men once locked in a far narrower universe economically, it is resented. A society that places considerable emphasis on considerations of personal and family status – name, rank, family heritage – does not react favorably to the *nouveau riche* "commoners" who, through a special skill of being able to produce for a mass market through cost-cut-

[4] Ludwig von Mises, *Human Action* (3rd rev. ed.; Chicago: Regnery, 1966), pp. 618-19.

[5] *Ibid.*, p. 619.

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ting and future-predicting, have become fabulously wealthy. They may be rich, but the only way they can gain status in the old world's terms is to marry the daughters of high status, falling income nobles and aristocrats, or give employment to younger sons in a primogeniture (eldest inherits all) system.

As ancient families went further into debt to finance their way of life, they had but two choices: become productive themselves in terms of the new mass market demand, or sell their land to those who were. The costs of ownership became too high for many of them; they could no longer tie up hundreds of acres of land in the face of the relentless competition from those millions of little people who kept bidding up the price of productive land by their increasingly large (in the aggregate) ability to purchase goods produced by the land.

Aristocratic Resentment

It obviously was not the poor man who bought the great estate of some noble. Instead, it was the entrepreneur who was serving the needs of the public. The process had been going on for centuries. Sir Thomas More in the early 1500's resented the herds of sheep that were replacing poor families that could no longer compete in an era when manorial production methods were not productive enough. But with the nineteenth century, the techniques of production became fully capitalist, and the counter-capitalism of the literary conservatives intensified accordingly. Southey, Carlyle, and Ruskin joined the chorus of contempt. Indeed, it was Carlyle who dubbed the new science of political economy with the name which has stuck, the dismal science.

What served as the economic liberation of a whole class of people, these men saw as a form of bondage, the grinding servitude of the factory, with its time schedules, long hours, routinized production, and child labor. What they resolutely refused to see was what would have been the fate of these masses under the old system of production: famine and death. It was Ireland, not England and Scotland, that suffered the famine of 1848-50, and it was Ireland which had not seen the "plague" of factory production.

John Ruskin, the conservative literary critic, summarized the case against capitalism. Ironically, his words have been put on mass-produced cards and inserted into mass-produced picture frames for display on the walls of the highly popular Baskin-Robbins ice cream parlors (31 flavors): "There is hardly anything in the world that

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some man cannot make a little worse and sell a little cheaper, and the people who consider price only are this man's lawful prey."

They Agree with Ruskin

The feudal guild members who threw shoes into factory machinery, the Luddites, today's trade union members on the picket lines, the government-licensed professionals earning $100,000 per year: all agree in principle with Ruskin. The price-cutting entrepreneur who makes a product available for a wider market is the great threat. The man who trims his costs, or finds a cheaper substitute that is preferable to buyers at a lower price, is seen as a cunning thief. Yet in the middle of the last century, he was making products available to men who could otherwise have never dreamed of buying something as fine as the item being offered. A cotton garment that could be laundered simply gave a man an opportunity to attend church or a wedding or a funeral with a dignity he had never before known. And that, perhaps, was his great sin in the eyes of the old feudal aristocracy—the sin of pride on the part of social inferiors who were steadily becoming less inferior economically. The status world of the middle ages was being shattered by the world of free market contracts.

The Threat of Debasement

Conservative social critics saw not only the hard conditions of the factory system – hard in comparison with the life of social criticism, but not in comparison with low productivity subsistence (or less than subsistence) farming – but they also saw the initial effects of mass-produced goods. They were cheap in price and cheap in quality – again, in comparison to the quality standards of the educated social critic. Those who did appreciate the new clothes, better housing, and preferable working conditions seldom wrote tracts; they simply went to work and spent their money. Undoubtedly, there was a standardization of production. However, as the productivity of laborers increased, and as their wages increased, this standardization was left behind for those coming up – Irish immigrants, for example – and variety began to be an economic possibility.

This indicates the nature of capitalism's powers of social transformation. At first, price competition expands the market. New groups gain access to goods not previously available to them, either because prices were too high before, or because the products did not even exist. As participants in the production process, workers add to other people's

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wealth. Producers are buyers; step by step, as output per unit of input increases, as a result of the specialization of production, the wealth of all the participants increases. The initial expansion of buying alternatives itself expands as productivity increases. Some producers may specialize in producing for this newly improved buying public; others may branch out and aim at the still excluded buyers – the next level down.

Henry Ford's Model T – available in any color, as long as it's black–makes the automobile available to the masses. But as everyone's wealth increases as a result of capitalist methods of production-distribution (the two are basically the same process), large numbers of men want some other color. Ford himself failed to recognize this phenomenon of modern capitalism, and his resistance to change – in this case an upgrading of quality and choice – led to the triumph of General Motors. Today, as the most recent figures indicate, General Motors' share of the auto market in America has fallen below 40 per cent, indicating that it, too, must shift its production standards to meet people's needs.[6] (The public, burdened by a shortage of fuel, needs smaller, cheaper cars; energy, it should be pointed out, is an area of government control and influence, and it is becoming an area of relatively decreasing productivity as a result – back to the Model T universe, it seems.)

Consider the advent of the color television set. In 1956, RCA made a color television available to those who could afford some $1500 (1956 prices) – a 16-inch, not very reliable product. A few people bought them. Steadily, the price has come down, yet the quality of the sets has gone up. Today, a Japanese Sony set, some 17 inches in size, costs less than $500 (1974 prices), and is so far advanced in terms of picture quality that the two products can hardly be compared. Price competition and quality competition can proceed together, and do; but the initial breakthrough technologically, while financed by the elite, becomes a mass-consumption product only through price competition. (This, as Hayek argues so forcefully, is an important function of rich elites: the trying out of new products, helping to finance their initial construction, before the bugs are worked out technically.[7])

How many workers in 1830 could have afforded to spend money

[6] So much for the "indestructible monopoly" theory!

[7] F. A. Hayek, *The Constitution of Liberty* (University of Chicago Press, 1960), pp. 44-45.

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in a Baskin-Robbins ice cream parlor? Ice cream was not even invented; the rage began at the end of the nineteenth century. Most workers could not have afforded it. Today, on any Saturday afternoon in the summer, ice cream houses specializing in high quality, "high" price ice cream are probably as crowded as the "cheap" frostee shop across the street. (Those who buy vanilla in the multiple-flavor shops subsidize those, like myself, who will eat nothing but peppermint-stick; the vanilla is far cheaper to produce, yet it is sold at the same price as the 30 other flavors. The one-flavor frostee shops cater to those who just don't like the other 30 flavors that much, or at least those who don't like to pay the freight for the other 30 and their buyers.)

Even the most expensive triple-scoop ice cream cone in the "exclusive" and "elitist" ice cream parlors costs only a tiny fraction of a middle class worker's daily income, in contrast to what the same ice cream cone would cost, proportionately, in some underdeveloped nation, where ice cream really is a luxury good. It is mass production, which involves price competition, that has created the mass wealth that makes possible the relatively cheap ice cream of the officially pro-Ruskin, anti-free market philosophy, 31-flavor stores. (Presumably, the chain really does not know the origin of Ruskin's philosophy. Ideas, however, do have consequences – serious consequences in a culture that seems to be headed from contract back into status.[8])

Mass Culture

One feature of free market life which receives far too little attention from most of the market's defenders is the problem of mass culture. Ortega y Gasset's *Revolt of the Masses* spelled it out. In a culture that is officially democratic, and which grants to the common man enormous influence – because its methods of production grant him enormous, historically unprecedented wealth – how can that culture maintain its spiritual, educational, intellectual foundations? Wilhelm Röpke, probably more than any other free market economist, concerned himself with this question. Does the most efficient technique actually serve men best in each and every instance? Were the conservative cultural critics correct in pointing to the debasement of their culture? Does mass production lead to the creation of a mass man – a man who neither understands nor appreciates the benefits of the market?

[8] Morris C. Shumiatcher, "Status: End Product of Welfare," *The Freeman*, May, 1972, pp. 297-315.

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Röpke's *Humane Economy* and Schumpeter's *Capitalism, Socialism and Democracy* set forth the problem very well, but the answers in both books are pessimistic. Professor Mises did not often write about this question, but in the one case where he did, he was rather pessimistic:

> Whatever is to be said in favor of correct logical thinking does not prove that the coming generations of men will surpass their ancestors in intellectual effort and achievements. History shows that again and again periods of marvelous mental accomplishments were followed by periods of decay and retrogression. We do not know whether the next generation will beget people who are able to continue along the lines of the geniuses who made the last centuries so glorious. We do not know anything about the biological conditions that enable a man to make one step forward in the march of intellectual advancement. We cannot preclude the assumption that there may be limits to man's further intellectual ascent. And certainly we do not know whether in this ascent there is a point beyond which the intellectual leaders can no longer succeed in convincing the masses and making them follow their lead.[9]

Today, in fact, the problem is as much the fault of the failure of the leaders to understand basic principles as it is the fault of the masses. The free market is not some fully autonomous, self-supporting, self-generating, self-sustaining mechanism. It is the product of acting, thinking, planning men. If they do not know how the economy works – and no serious economist has ever argued that all participants must understand it in order for it to work – then there is only one defense possible: the majority of men must, on principle, leave their fellow men free to act, think, and plan. They may not grasp the nature of the process by which the actions of productive individuals are fused into a coherent, self-correcting economic system. They may not understand the theory of marginal utility. They may not be able to spell out the theory of free trade. But unless they are willing to affirm that principle which every man *can* grasp – that each man is responsible for his actions, and that therefore each man should be given the right to work out his salvation with fear and trembling – then the magnificent construct known as the free market economy will, in the image of "Mission Impossible," self-destruct. There are no economic fruits without moral roots.

By focusing on economics as if

[9] Mises, *The Historical Setting of the Austrian School of Economics* (New Rochelle, N. Y.: Arlington House, 1969), p. 38.

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it were the "science of wealth" rather than the science of human action and human choice, the classical economists did a great disservice to the cause of freedom. They made the case of the conservative anti-market critics that much more reasonable. There is more to life than material consumption; there is more to life than the question of economic efficiency. Economic man was an intellectual construct, but too many economists and too many readers of economic literature failed to see that this construct was and is limited. It can explain some features of life; it can hardly explain them all. The economic man was a stick man, and he made a marvelous target for the critics of capitalism, both conservatives and socialists, who saw their opponents as narrow-minded, materialistic, immoral, uncharitable, destructive churls.

Expanding Human Choice

The defense of the market should be made in terms of its implications for human choice. The free market expands human choice. It enables men to become more productive. In doing so, it increases their power and therefore their responsibility. At first, it may seem to limit men's choices – only black Model T's – but in reality it has expanded them – black Model T's rather than no car at all. As productivity increases, men's options increase. Since they have increased their range of options, they have simultaneously increased their obligations. Like all blessings, this too is a burden.

Sadly, some modern economists, at least in their published materials, are as naive as the nineteenth-century economists. They seldom consider the grave political and sociological implications of increased wealth. They do not understand that in today's world, a productive worker (from janitor to scientist) who fails to acknowledge the restraints – moral restraints – necessary to preserve a free market economy, is like a child playing with a loaded pistol. He is armed (with the vote) and should be considered extremely dangerous. He has the power to vote for men promising to relieve him of his responsibilities – thereby relieving him of his power and wealth, he never seems to understand. Men seem to resent the burdens of responsibility as they grow more wealthy, and this is the surest guarantee that they will not grow wealthy forever.

Men make choices. They have ideas. They are responsible. If their ideas are such that they are convinced that the political authorities can best handle the re-

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sponsibiilties of life, then their ideas will lead them into bondage, precisely because they are responsible and they do have the power of choice. Pontius Pilate had the power of choice. He chose to "wash his hands" of all personal responsibility, as if power can be so lightly abandoned. Röpke and Schumpeter were quite correct in their concern for our society: mass man, especially State-educated mass man, has been granted wealth beyond the dreams of Pilate (who never had the opportunity to see reruns of the Beverly Hillbillies in full color). Economic efficiency, in and of itself, guarantees nothing morally or culturally. It only guarantees that more and more men will possess greater and greater options. We should neither underestimate nor overestimate the blessings of efficiency.

A Proper Distrust

W. ALLEN WALLIS

THOSE who distrust governments are right. For governments everywhere undertake to do many things that cannot be done by governments – least of all by democratic governments – and they even undertake to do some things that cannot be done at all, either by governmental or nongovernmental means. Governments readily promise good incomes, good health, good morals, good taste, and good relations among individuals. They promise equality, justice, tolerance, and safety, as well as peace, progress, prosperity, and purity, and even truth, goodness, beauty, and salvation. They attempt to protect us from our own follies – from the folly of smoking tobacco or marijuana, from the folly of watching indecent movies, from the folly of selling too cheap or buying too high, from the folly of buying too cheap or selling too high, from the folly of wasting our money, from the folly of failing to

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fasten seat-belts, from the folly of buying pills in containers that can be opened by children or arthritics, and from the folly of setting the wrong temperature on the laundry machine. The list is endless in number, infinite in detail, and growing exponentially.

It is a striking paradox that the more people distrust the government, the more powers and responsibilities they heap upon it, many of the new powers being designed to counterbalance other powers that the government already has. The more powers the government has, the more ruthless, corrupt, and pervasive become the efforts to control those powers, the more numerous and harmful become the failures of the government, and the smaller becomes the respect and confidence that the government receives or deserves.

The appropriate remedy for excessive governmental powers, for abuses of governmental powers, for ruthlessness and corruption in gaining control of governmental powers is not to create new governmental powers but to dismantle those that now exist. Return the power to the people. Give each individual the right and the responsibility for making his own free choices and decisions. Inevitably, some individuals will make unwise decisions, even decisions that harm other people; but in the long run the harm done in this way is likely to be neither as great in the aggregate nor as hard to correct as the harm done by over-government.

IDEAS ON LIBERTY

We Owe It to Ourselves

INDIVIDUALISM suggests the idea that if a living is owed a man, he is both the creditor and the debtor. He must collect and he must pay. All he has a right to expect from society is that it will not intervene between cause and effect to his prejudice. To be assured of this he must be assured against political interventions. He is entitled to all he produces, but outside himself there is no power that can ethically produce for him.

E. C. RIEGEL, *Planned Prosperity*

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Those Fellows with Dark Hats – the Speculators

JOHN A. SPARKS

"What the witch was to medieval man, the capitalist is to the socialists and communists, the speculator is to most politicians and statesmen: the embodiment of evil."
Hans F. Sennholz

ONCE AGAIN the guns of public criticism are trained upon speculators. Legislative committees are hearing testimony about their activities; governmental officials are denouncing them. Why are speculators so often under attack? Borrowing from the old-fashioned western – why are speculators invariably portrayed as wearing black hats?

One reason for the tarnished image of the speculator today is the widespread misunderstanding about *who* speculators are. To many people, a speculator is a crafty, cold, professional, standing against a Wall Street backdrop. Granted, a gathering of speculators would include professionals. But, just as clearly, it would include many amateurs. Several years ago the occupations of persons who held futures contracts on the New York Sugar Exchange during a typical day were disclosed. Of the nearly 1700 speculators who owned contracts, only about 12 per cent could be termed professionals, i.e. connected with the sugar industry or other professional speculation. The remaining contract holders were housewives, retired persons, engineers, retail proprietors, and members of other occupational groups.[1] A recent survey of traders in frozen orange juice concentrate futures showed that "executives, engineers, accountants, doctors and the like accounted for some 40 per cent of the long side of the market."[2] Admittedly, in terms of business volume, professional speculators outdistance amateurs. But the professional image of the speculator obscures the fact that many ordinary people fall into this category. (An attempt can be

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made to see every human action from the viewpoint of the uncertainty inherent in it. Every act could therefore have a speculative dimension; every actor could be said to be a speculator. However, as used hereafter, the word speculator refers to the narrower concept of a promoter, pacemaker, venturesome leader, whose eagerness, drive, initiative compel economic improvements.) Before one sets out to brand speculators as "bad guys," one should be aware that he unknowingly may be outfitting his own friends, neighbors, and, perhaps, himself in black hats.

The Common Image

Many are uninformed about who speculators are, but even more people misunderstand *what* they do. The following picture of speculators is a commonly held one:

> Speculators actually do very little; they do not work for a living in the traditional sense. They keep strange hours. They sit staring at stock ticker-tapes, money market quotations, a company's annual report, or the financial page of the newspaper. They operate on the basis of hunches and great doses of luck. They are little better than gamblers. Speculators are not producers of goods. They do not add to the total wealth. Instead, they merely take a cut off the top of what *others* produce. They are parasitic, enriching themselves at the expense of others.[3]

In trying to analyze the preceding portrait, it becomes clear that many of the assertions are mere gossipy bits of "conventional wisdom." Consider the charge that speculation involves very little work of the traditional kind, unorthodox hours, and peculiar manners of behavior. Speculators in stocks, bonds and commodities are indistinguishable from other businessmen on the basis of their hours. Moreover, one's schedule says nothing very conclusive about whether one "works" or not. What counts is the worker's ability to produce the end product, not the regularity of his hours.[4] Are odd business mannerisms really displayed by speculators? The assertion is little more than a vulgar occupational slur undeserving of recognition or response. After one studies the speculator, it becomes apparent that most of what he does is purposeful, reasonable, and understandable. Only to the uninitiated or ignorant do the actions of speculators seem bizarre.

Lucky Guessers or Information Gatherers?

Another subtler plaint against speculators is the claim that their unorthodox hunch-playing disqualifies them as true "workers." Honest mental effort, say these critics,

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is work, but, just as certainly, "lucky guessing" is *not*. The most glaring problem with such a position is its gross inaccuracy. Few, if any speculators rely solely on chance or hunch. Professionals, especially, consult elaborate information sources before making final decisions. Economists often say that they incur "trading costs." There are market indexes to consult, price-earnings ratios to figure, and laboratory findings on newly developed products to review. One international speculator illustrated the breadth of his search for information when he said: "One has to know exactly what is going on, whether Mr. Nasser has a cold, or whether Mr. Dayan is aggressive, or whether the discount rate in Holland is about to be raised. . . . So one has to watch everything, even if it is unimportant at first glance."[5]

Alertness to information is the speculator's lifeblood.[6] About two years ago there were times when soybean speculators anxiously awaited news from such unlikely sources as Peruvian fishing villages. The reason? Shortages of soybeans had developed. Fishmeal competes with soybean meal as animal feed. The fish "crop" has to be assessed in order to give speculators some idea of the value of existing stores of soybeans.[7] Speculators demand all sorts of data, from evanescent market rumors, to sophisticated professional analyses – all in an effort to make their evaluations of the future more "scientific."

Despite ambitious information gathering, the "good guess" and the "right hunch" play an important part in speculation. Amateurs and professionals alike acknowledge the influence of intuition on their actions. In numerous instances "cold hard facts" are hard to come by, if they exist at all. Take for instance just two questions to which speculators must try to give answers: What will low temperatures do to the Florida citrus crop? Will the Wankel engine replace the conventional piston engine? Informative data are slim. The answers exist in the realm of the highly uncertain. It is in just such circumstances that the speculator must rely on his sensitivity to the future. As others possess musical ability, a way with words, or athletic prowess, the successful speculator is likely to be the owner of a keen intuitive sense. Utilized, this intuitive ability performs a profound service to all members of the economic community. Intuitively guided judgments help to allocate, conserve, and distribute scarce economic resources, so that consumer satisfaction is maximized. The specu-

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lator should be recognized for his significant role as a "future-shock absorber" or even a kind of economic sage. (The word "speculate" is derived from the Latin word "specere" meaning "see.") One would expect high regard for the gift of intuition. On the contrary, an undercurrent of disrespect for this part of the speculative decision is widespread.

Respectable Gamblers?

A related but slightly different charge is that the speculator is little more than a gambler. What is the difference, it is said, between putting money on the run of a horse and putting money on the future price of wheat? Are not speculators merely respectable gamesters? That both gambling and speculation contain elements of uncertainty cannot be denied. But, the similarity ends there. The gambler risks his money on *artificially contrived uncertainty*. He does not transact his business with real-world hazards. The unknowns which he confronts are the creations of the casino, the slot machine, and the gaming table. They are brought into existence to divert and entertain.

The speculator, on the other hand, operates in the world of *naturally existing uncertainty*. While the enigmas of the dimly lit future hold his fellows immobile, the speculator clearly discerns unnoticed opportunities for profits and alertly exploits them.[8] Whereas the gambler is attentive to the world of *artificial* indeterminacy, the speculator keeps an economic vigil over the *real, uncontrived* future. Therefore, to use gambling terminology to describe speculation is confusing and inaccurate. Yet, even a noted financial review encourages the continuation of such a practice when it illustrates an article about orange juice speculation with the picture of dice being rolled out of an overturned orange juice can.[9]

Do Speculators Provide Useful Services?

The gnawing question which underlies many of the complaints already mentioned remains: What useful service do speculators provide? One well-known defender of the speculator's activities, Frank H. Knight, has described him as an uncertainty bearer.[10] According to this view, the speculator bears *unmeasurable risks*, that is, uncertainties, while the insurer bears *measurable risks*. The distinction can be shown by an example. Suppose that a businessman opens a retail clothing store. An insurance company will be able to provide him with fire insurance on his building, for the likelihood of a fire disaster is a measurable risk.

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The distribution of the outcome in a group of instances is known. The premiums paid by the clothing store owner and other businessmen are calculated to cover losses which occur. However, if the retailer seeks insurance against his inability to sell the store's merchandise to customers, he will find the insurance company unable to write the policy. The possibility of a business loss is an *uncertainty* because its occurrence is so unique as to be unmeasurable. It is "risk" which the insurer cannot calculate and therefore cannot bear. This is exactly the sort of burden which the speculator shoulders. Returning to our example, if the retailer wants to avoid bearing the uncertainty of profitable resale, he may be able to convince the distributor to "sell" him the goods *on consignment*. If the distributor consents to consign the merchandise, he becomes a speculator. By agreeing to take back the items which remain on the retailer's rack at the season's end, he bears an uncertainty. More commonly, of course, the retailer will not rely upon another to bear the uncertainty of whether or not his goods will sell. Instead, he will assume a speculative role by purchasing the merchandise himself.

Perhaps the most lucid analysis of the speculator's activities has been advanced by Mises[11] and expanded by Kirzner.[12] The speculator, according to this view, is an entrepreneur who is alert to hitherto unnoticed profit opportunities.[13] He is attentive, watchful, vigilant. He "anticipates better than other people the future demand of the consumers"[14] and acts accordingly. When the price which the consumer will pay for the end product promises to be higher than the total factor costs, then latent profits exist. The speculator perceives these unrecognized opportunities and exploits them.

Using the Austrian approach, one can re-analyze the earlier example of the clothing retailer. If he anticipates that the prices which customers will pay for suits, ties, and shirts will be greater than his factor costs, and acts upon that belief, he becomes a speculator. Others are free to purchase the factors and reap the profits, but they are not entrepreneurially alert to the opportunities which are apparent to the retailer-speculator.

The Austrian explanation points out that the speculator profits only when he correctly anticipates future constellations of demand and supply in the market.[15] His activities reorient production toward those goods and services for which consumer demand is more intense and away from less

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intense demands. In essence, the speculator is an untiring expediter of desired economic production.

It is clear that while the Knightians emphasize uncertainty bearing, the Misesians emphasize entrepreneurial alertness. However, both positions cast the speculator in a favorable light. Both view him as beneficial. Both conclude that his contributions to the economy would be sorely missed if he suddenly failed to function.

So far the speculator has been discussed *in general.* He has been found to have an important and benevolent economic role to play. The bulk of modern antispeculative opprobrium, however, has been directed at *specific* kinds of speculative activity, especially, money speculation, land speculation, and commodity speculation. They therefore deserve separate consideration.

Money Speculation

Money speculators, in the opinion of many, are the worst of the black-hatted ones. Their treatment during the German hyperinflation is typical. Government officials and the press villified speculators who fled from the mark to other currencies. These pecunious ones, warned the newspapers, had gained a vested interest in the mark's continued depreciation. They were beseiging the foreign exchange markets, claimed the state bank president. They put personal interests above country, offered another source.[16]

But, attacks on speculators have not been limited to foreign soils or other times. In response to the August, 1971, "monetary crisis," our own President said: ". . . the speculators have been waging an all-out war on the American dollar. . . . Accordingly, I have directed the Secretary of the Treasury to take the action necessary to defend the dollar against the speculator. I am determined that the American dollar must never be a hostage in the hands of the international speculators."[17] What activities would inspire such sentiments? What do money speculators do?

Essentially they buy and sell the currencies of different countries. When the speculator expects the value of a currency to go up, he purchases it — goes "long" in it. On the other hand, if he expects the exchange rate (value) of a currency to fall, he will go "short" in the currency by selling it in the forward market (futures market), or exchanging it immediately for other more promising currencies. How does such rational trading qualify speculators for black hats? Actually in untroubled times, when only moderate changes in currency values are called for,

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speculators are largely able to avoid criticism. Their activities are regarded as tending to diminish the gap between the highest and lowest exchange prices. During these times, observers do not lose sight of the fact that exchange rates are determined as much by the "bulls" of the market as by the "bears."[18] Even those inclined to view speculators with distrust consider mild speculative activities as benign and "stabilizing." However, if monetary policies of rapid inflation are embarked upon and, consequently, speculators' positions become increasingly pessimistic, then their denunciation can be expected. Speculators are causing the decline, it will be charged, or if they are not the cause, at least speculators are sending exchange rates to unwarrantedly low levels.

No Coercive Power

To the first charge – that the short-selling speculator causes a decline – it can only be said that short sales are the short seller's forecast of the demand for a currency. However, the short-selling speculator has no power to coerce the agreement of others who are buying and selling in the market.[19] "Speculation does not determine prices; it has to accept the prices that are determined in the market. Its efforts are directed to correctly estimating future price-situations, and to acting accordingly."[20]

What of the assertion that speculators "pile on" to falling prices, thereby driving them to low levels? When depreciation becomes so clear that many amateurs enter the market, exchange rates may be temporarily depressed to a point that is not found to be justified when subjected to the seasoned reflection of the professional. Readjustment upward will be aided by the actions of experienced speculators who will help to return the currency to a realistic value.[21]

It has been noted that during severe currency declines the ranks of speculators will be swelled by amateurs. A portion of these neophytes will be businessmen who seek a haven for their capital, safe from the ravages of paper money depreciation. Capital conversion of this sort is also attacked by the government as harmful to the nation. But, the avoidance of capital destruction, even when it involves deserting the currency of the realm, is a benefit to the nation's capital fund, not a detriment. Those who take precautions to conserve capital are not the foes of their fellow citizens, but their benefactors.[22]

Recriminations against money speculators are "side shows" presented to divert attention from

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real causes. The speculative activities of the black-hatted ones come under attack because they are irritating thorns in the sides of governmental money managers. These officials wish to continue their paper money profligacy without being called to account by the forces of depreciation. It is precisely because the speculator exposes the bankruptcy of their shallow schemes that he is labeled the "cause" of the decline. Conveniently ignored by the authorities are their own inflationary excesses which actually precipitate the downward revaluation of the national currency. The arbitrary, fickle activities of the state bank, including the artificial "bull" maneuvers to support its own currency's value, are the prime causes of decline and depreciation.

Land Speculation

Land speculators have always managed to inspire a great deal of invective. Undoubtedly, some distrust is due to the notoriety which fraudulent land schemes have received. To the fair-minded it should be obvious that legitimate land speculation and land fraud are entirely different things.

But, if the aura of fraud which often surrounds land transactions is dispelled, there nevertheless remains a residue of suspicion about land speculators. No small amount of this lingering distrust is attributable to the prevailing view of western land sales in the United States during the eighteenth and nineteenth centuries.

One of the themes emphasized by the most widely read authority on the subject of the western lands is the detrimental impact of "speculation" and "land monopolization." According to his writing, large scale speculators "preyed" upon the land, "engrossed" land, outbid settlers, and so forth. They preceded the settlers to the American frontier, purchased the "best lands," virtually forcing settlers to buy at their prices. Moreover, the black-hatted ones were the perpetrators of fraudulent schemes designed to add blocks of land to their already monopolistic holdings.[23]

Fortunately, interpretations which oppose the prevailing anti-speculative position are being advanced by such economic historians as Douglas C. North. He points out several things. First, speculators should not be regarded as having been primarily *large scale* dealers. "Many a farmer bought more land than he could possibly cultivate, with the idea of holding it for a rise in value."[24] Speculators should not be regarded as having been members of a separate entrepreneurial class in conflict with an agrarian class as

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is implied by the prevailing view. Instead, entrepreneur and agrarian were often one.

Next, even though land speculators themselves were far from "public spirited," their actions were economically beneficial. The reason for this is relatively simple. The speculator purchased what he believed would become productive land. The price he offered was higher than prices offered by other bidders *who failed to see its high yield potential.* His purchase removed the land from commitment to inferior productive uses contemplated by the other bidders. If the speculator were correct in his forward-looking valuation, other purchasers would soon appear who would be willing to pay a higher price for the parcel precisely because they expected to use the land in a highly productive way. Unintentionally, the land speculator helped to shift land resources to their most fruitful uses and away from less fruitful ones.[25]

The charge of "land monopolization" by speculators is an unfounded one. "There is no meaningful sense in which a monopoly of land existed at any time in the nineteenth century. In fact, availability is the one clearly evident characteristic of the opening up of the public domain. There were immense amounts of land continuously available from a large number of different sources."[26] However, large tracts of land were put beyond the reach of settlers by Congress. Of the public lands appropriated between 1789 and 1904, over half of the acreage was reserved either to the Federal government or granted to the states and railroads.[27] The policies of the national legislature, not the actions of speculators, came the closest to creating large land holdings in the hands of a few. Fortunately, the railroads and the states sold off tracts of land into private hands, thus assuring their economic use.

Finally, the claim is made that speculators regularly engaged in fraud to obtain land. Though there is no justification for fraud, it is a fact that many of the illegal transactions were encouraged by the gross unworkability of the government land laws. The basic theory underlying the laws was that ownership should be awarded only to actual occupiers of land parcels and even then there was a limit on the parcel size.[28] In many instances continuous occupancy required by law was not economically justified. Consequently, speculators, settlers, and others participated in fraudulent schemes which appeared to comply with the land laws in order to obtain larger parcels than would be allowed to a single "occupier."

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By prior agreement, some settlers made homestead "entries" and then sold immediately to speculators. With the cooperation of land officials, "dummy entries" were often made for homesteaders who did not exist. The land was then assigned to speculators.[29] In Nebraska a house on wheels was moved from claim to claim to fulfill the house building requirement.[30] One need not condone fraud to appreciate the economic benefit which resulted from the creation, by speculators, of land units which were a productive size.

Whenever land is able to be owned by people and wherever there are changes in land values, there will be speculative profits and losses made. Nothing short of destroying the right to buy and to sell will deter men from alertly purchasing parcels which they consider underpriced or selling those which they consider overpriced. Ultimately, opponents of land speculation must favor restrictions on the very rights which are the essence of ownership.

Commodity Speculators

In ever-increasing numbers observers are blaming speculators in commodities — those raw products which are traded on organized markets—for the increasing prices. About fifty different commodities are traded world-wide today, ranging from Idaho potatoes to soybean meal from platinum to plywood.[31] The *modus operandi* of a commodity speculator is similar to that of other speculators. He evaluates the likelihood that future prices will be different from current prices and buys or sells accordingly.

His buying and selling generally accomplish several benefits. First, he bears the uncertainty of future prices so that others who do not wish to shoulder such a burden may escape it. For example, a wheat farmer may decide to sell his wheat crop to the grain elevator owner. By so doing the farmer makes a decision to allow the grain elevator owner to take on the uncertainty of future grain prices. Though the farmer's investment in labor, land, and capital contains a genuine element of speculation itself, nevertheless, at the harvest he may wish to allow another to take up the speculative burden. On the other side of the sale, the grain elevator owner buys because he is alert to what he believes will be higher future prices.

Secondly, if a catastrophe reduces the expected supply of a commodity, the speculator may remove from the market a portion of the commodity in anticipation of higher prices. By speculating, he is helping to moderate the current

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use of the good and to allocate the reduced supply into the grain-scarce future. His trading helps to mitigate the effects of commodity shortfalls on the consumer.

Perplexingly, commodity traders draw criticism from the very groups which they benefit — consumers and primary producers. The consumers of products which contain raw commodities often irrationally blame the speculator for being the primary cause of the reduced supplies. The truth is that being merely a buyer or seller, he neither increases nor decreases the total amount of the commodity. He merely spreads the good over time.[32]

Primary producers, such as farmers, who sell to the speculator, often begrudge him the profits which he receives when the price of the commodity rises. Such a position is grossly unfair. The original sale was presumably consummated because the producer and the speculator perceived the future configuration of prices differently. As the future became the present, the speculator's view was borne out. However, that is surely no proper reason to deprive the speculator of his profits. The producer's brazen covetousness is revealed by his unwillingness to support the logical converse of his position. He is not found to advocate his own indemnification of the speculator who experiences losses when commodity prices dip.

Recently the prices of commodities have been more volatile than usual. Predictably this behavior has been ascribed to the evil machinations of speculators. In reality, several factors have influenced commodity prices. (1) New interests, foreign and domestic, have sought commodity futures contracts as hedges against the shaky state of national currencies. (2) Gigantic government to government commodity deals have helped to send markets into gyrations which would be the envy of any private "manipulator." (3) inflationary monetary policies have compounded the uncertainty of future commodity prices. Characteristically, instead of seeking to stabilize the purchasing power of the domestic currency, instead of trying to encourage the adoption of a sound international money, congressional committees are seeking to create a new Federal agency similar to the Securities and Exchange Commission to police commodity trading.[33] Controlling the black-hatted ones is seen as a significant part of the answer to commodity market fluctuations.

Conclusion

It is not necessary to attribute personal goodness to the individual speculators of the past and

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the present. Their motivation was and is self-gain. However, by their efforts as alert entrepreneurs, they have continually perfected the operations of the market; they have borne the burdens of the uncertain future. In essence, they have constituted the very sensitive fingers of the invisible hand. It is time that they be allowed to escape the moral stigma under which they have labored, to withdraw from the dark shadow of obloquy, and to don *white hats!*

— Footnotes —

1 Example referred to in Armen A. Alchian & William R. Allen, *University Economics* (Belmont, California: Wadsworth Publishing Inc., 1969), pp. 160-161.

2 Arlene Hershman, "The OJ Play: Tough and Tangy," *Dun's*, April 1971, p. 55.

3 This layman's concept of a speculator is a composite of student comments, newspaper accounts and conversations of the author with noneconomists about speculation.

4 John C. Sparks, "Production Unlimited," IX *Essays on Liberty* (Irvington-on-Hudson, New York: Foundation for Economic Education, Inc. 1962), pp. 257-271.

5 "The Arcane of Arbitrage," *Business Week*, November 22, 1969, p. 140.

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12 Kirzner, pp. 30-87.

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26 North, p. 132.

27 Ross M. Robertson, *History of the American Economy* (New York: Harcourt, World, 1955), p. 217.

28 Rothbard, I. p. 151.

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30 Gilbert C. Fite and Jim E. Reese, *An Economic History of the United States* (Boston: Houghton-Mifflin Company, 1965), p. 316.

31 Stanley W. Angrist, *Sensible Speculation in Commodities* (New York: Simon and Schuster, 1972), p. 26.

32 Alchian & Allen, pp. 149-158.

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M. L. ZUPAN

The Business of Undermining Business

IN THE April, 1974, issue of *The Freeman,* Roger Donway considers and dismisses Irving Kristol's contention that since the free market must allow anti-market views it, so to speak, "contains the seeds of its own destruction." A similar but far more subtle danger to the free market pervades our society.

The attitude to which I refer is epitomized starkly in a commercial sponsored by the American Savings and Loan Association: "This bank is for the business side of me and this bank is for the human side of me." Perhaps this seems harmless enough; after all, the savings banks are just trying to improve their "image" and to emphasize that their goal is really to be humane in the popular sense of that word – to help humanity. But there is a widespread practice here, merely illustrated in this advertisement, which deals two blows at the very roots of free enterprise.

The first danger is a separation between the business and human functions of certain individuals, and thus between business enterprises and other human activities. The second danger lies in the notion that the way to sell a product at a profit is to promulgate the idea that the business is engaged in a humanitarian program of improving the general good. These two ideas not only are contrary to the best interests of both producer and consumer, but also are at cross purposes with each other. For the first leads to putting business outside the moral realm, and the second to an impossible conception of business morality.

The division of human beings into "businessmen" and "others," or the separation of the business-

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man's role as such from his human (all other) capacities, supports the popular myth that those engaged in producing and selling goods are authorized by "the system" to do *anything* in order to make a profit. Thus, free enterprise, its critics say, allows for and even promotes, dishonesty, exploitation, theft (of trade secrets, for example), irresponsibility, stinginess, or whatever, as long as making a buck is the result. This is the force of Irving Kristol's dismay with the moral philosophy underlying the free enterprise system. If he could profit from it, there is, according to Kristol, no moral restraint which could keep the entrepreneur from investing in anti-market literature.

But this is not so. Donway ably pointed out one problem with this view, and I would like to exhibit another. Any individual engaged in the various facets of financing, planning, producing, and selling goods and services is – *cannot* be other than – a human being. What follows from this is that the general moral principles which are valid for all human beings are equally valid for businessmen. Of course, different ones may apply; for instance, the businessman may never have occasion to exhibit courage as might a soldier, nor may the steel worker have occasion to practice the virtue of truth in advertising. As long as there is *human action*, all human virtues are valid, however relevant to differing circumstances, occupations, and the like.

The Role of the Law

I want to point out that this implication of business action as human action does *not* further imply that "there ought to be a law." That is, the moral uprightness of businessmen ought not be the subject of special legislation, any more than there should be special laws concerning how you behave during your leisure time, in social interaction, toward the ones you love, and so on. To enact such laws is to destroy freedom, to undermine the foundation of morality.

The function of law is not to force morality – a contradiction – but to protect people's rights. To put it another way, the law ought to ensure the *conditions* for free enterprise by making explicit each person's sphere of action and by assuring proper recourse for harm done. Thus, with respect to businessmen, the law should allow each to produce whatever he likes, but not allow him to force people to buy or use his product. The law, then, would concern itself with such matters as enforcement of contracts, compensation for injury due to faulty labeling, violation of property rights (including, con-

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ceivably, air and water pollution); but it would not engage in forcing producers to solve the ills of society. (A pernicious example of the latter is the recent legislation requiring Detroit auto makers to install pollution control devices, rather than holding the consumer accountable for damages resulting from his activities.)

Perhaps this attempted separation of "business" and "human" can be traced to the popularity of sociological theories which explain all human action in terms of diverse roles. Thus, while at the office one part is played, at home or at a party another, and never the twain shall meet. Although this may help us understand why the separation is attempted, it does not excuse it or make it any less harmful. The perpetuation of such a view plays right into the hands of those critics of free enterprise who believe that the latter depends upon and promotes immoral or, at best, amoral behavior on the part of those involved.

The second ruinous attitude commonly espoused and promoted by businessmen these days is that their reason for existence, and their value, derives from their devising, investing in, producing, and selling products *in the interest of helping humanity*. This is the utilitarian argument: *since* your being engaged in making a profit will also benefit most people by providing them with goods and services, you are *allowed* to do so; as a matter of fact, it is downright virtuous for you to do so. Whether or not making a profit ought to be tolerated or condoned, per se, it is accepted as a necessary function of increasing the general good.

Guilty Until Proven Innocent!

The danger lies in the pay off, which we witness today on all fronts. For if profits are not justifiable, but only tolerable, and the proper goal for everyone, including businesses, is to ensure and work for the good of everyone else, then profits may be denounced and expropriated when the greater good would seem to call for that measure. So when prices get too high, controls on profits can be justified; in the "energy crisis" the "obvious" guilt of the oil companies lies in their having made profits; IBM must prove to the courts its innocence in actions in relation to competitors because it has shown a profit. Thus, a crucial maxim of the American legal system has been reversed when it comes to business enterprises: guilty until proven innocent.

There is, however, a *justification* of profit-making which does not rest on such a notion of the common good. It is as right for

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the entrepreneur, the manufacturer, the retailer, and any others involved in producing and selling goods and services to make a profit as it is for the members of the "working class" to hire themselves out for wages, for writers to charge for their services, for people to buy homes, and so forth. In short, the justification of profit is simply the right to private property, the right of every human being in virtue of being human. Survival as a human being (that is, as a rational, morally accountable agent) requires that each exist in *some place* and procure *some things;* the place and the things we designate by the term property. It is right and good that human beings act so as to secure their own survival; and this is a fundamental *moral* justification of the right to property.

Of course, there are many ramifications and details to be covered before one would have in hand a comprehensive argument for the right to private property. The point here is that such an argument exists; it does not rely on any "happiness of society" justification of free enterprise. The right of the individual is justification enough. I am not denying that the common good will be served by a free economic system; what I want to point out is that the common good cannot serve as an adequate justification, since it leaves the door open to serious encroachments which undercut the very foundation of that system.

Everyone Loses

Since the idea that profits take away from the common good is so prevalent today, it might be argued that the businessman, just in order to survive, must create an image of being in business to help all. In the short run, perhaps, there is not much to say to this argument except that it is a proliferation of unrealities. But in the long run, reiteration and promotion of this attitude can only work to the detriment of the political framework in which business can flourish. It would thus work against the *best* interests not only of business, but also of consumers.

Perhaps I seem unduly harsh on American businessmen; I recognize, however, that to a large extent they have merely acted to accomodate themselves to the overall climate. They are unloved by many who benefit from their existence; they have been badgered as no other segment of society. Thus, during the recent energy scare, the press made (or conveyed the public's) accusations against the oil companies, but offered little opportunity for rebuttal. The oil companies were obliged to pay for advertisements in order to get a

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word in edgewise, and were promptly maligned for doing so. Moreover, since they did this defensively, to protect their interest, they were dismissed as acting from ulterior, "selfish" motives. Nevertheless, it clearly cannot *help* for businesses to go along with all this. The long-run consequences are devastating; no good can come of further miseducating the public — or public officials.

Moreover, businessmen may be properly criticized for their frequent complicity in chipping away at the foundation of free enterprise. I have in mind here calling on government for tax breaks, price supports, subsidies, licensing to prevent entry of competition, and so on. Many seem not to realize the inconsistencies involved; but for every measure instituted by government to "help" some industry, a comparable amount of freedom is lost. The farmers complained bitterly when price controls were set on beef; but before the year was out many were eagerly supporting the government's buying of "surplus" beef in order to sustain prices.

So, the problem is not simple; it is not just consumers or the intelligentsia or the press, but businessmen themselves who fail to understand the nature of free enterprise. Needed is a return to the fundamental principles of the free market, and this is unlikely to happen without a consistent effort on the part of businessmen to practice and preach those principles.

It should be noted in conclusion that this is a moral imperative. Since it is good and right for them to be free to work for profit, to reap the benefits of *their own* ingenuity, labor, risk-taking, then it is wrong for them to rely on the government (that is, on the taxpayer) to share the burden. To do so is not only wrong, but will lead to the demise of the system which leaves each individual free to work for his own diverse ends (which may, of course, include cooperative ventures). And this implies a further moral imperative: it is right for all, businessmen included, to consistently act so as to preserve that system. And it is wrong to call on government for handouts, just as it is wrong to promote business by catering to prevailing sentiments and myths. How can the businessman claim to be so unjustly accused if he persists in tightening the noose around his own neck?

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The ENERGY CRISIS:

Alternative Futures

JOHN B. KIZER

THE First Law of Thermodynamics tells us that the energy content of the universe is constant and energy is always conserved. What one really means when he speaks of an energy shortage is that there is a shortage of *useful* energy, which is an altogether different notion; useful energy is a relative concept, not an absolute one like energy.

Henry Grady Weaver points out (*The Mainspring of Human Progress*, 1947) : "Nothing is actually a 'natural resource' until after men have made it useful to human beings. Coal was not a natural resource to Julius Caesar, nor crude oil to Alexander the Great, nor aluminum to Ben Franklin, nor the atom to anyone until 1945. Men may discover use for any substance. Nobody can know today what may be a natural resource tomorrow. It is not natural resources, *but the uses men make of them* that really count."

This is the reason we can never run out of natural resources including, of course, energy (that is, at least until the death of the sun). Thus, the real reason the United States has led the world in the Age of Power is that individuals have had the freedom to create new sources of energy and devices for its more effective use. These obvious points are challenged by those physical scientists who are trying to develop what they call a new science of futurology. Such is the Club of Rome which publishes the magazine *The Futurist*. This group has also published two books *The Energy Crisis* and *The Limits to Growth* which have been best sellers and frightened many people into believing that we must go back to the horse and buggy days because it is impossible for life to get progressively better.

There are many errors in these books pointed out by many people but the fundamental assumptions are also in error, that is, that we have only a limited amount of energy resources. The advocates of this point-of-view could create a self-fulfilling prophecy as their

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These remarks are from a recent speech before the Ohio Chapter of the American Institute of Real Estate Appraisers.

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advocacy of a return to the days of low energy consumption obviously cannot be accomplished without governmentally restricting personal energy consumption. People will not give up their Cadillacs voluntarily. And it can easily be seen that the governmental control of all energy destroys the freedom and incentive of individuals to develop new energy resources; thus none are developed and we have a Limit to Growth, a self-fulfilling prophecy. But as long as men have the freedom to invent and to discover, it is unlikely that there will be any permanent energy crisis or shortage of natural resources as new ones will always be created.

This is not to say that there cannot be short-term energy shortages; as a matter of fact one of the alternative futures I would like to discuss below is just this situation.

Saving the Environment

Most experts agree that one of the proximate causes of the energy crisis is the environmental movement. This movement led to the delay of the Alaska pipeline, to the installation of anti-pollution devices on automobiles that greatly reduce gas mileage and to the installation of industrial anti-water pollution equipment which required a great amount of energy to install and takes a great amount of energy to maintain.

The problem with much of the anti-pollution legislation is that there is still a great deal of debate about whether the dumping of pollutants is harmful enough and great enough to justify the massive social cost which it entails. Let us not forget the mercury pollution example in which it was recommended that one eat fish not more than once a week because industrial dumping of mercury into the rivers and seas was causing the mercury absorption by fish to rise to dangerous levels. It was later discovered that the mercury level in fish is lower now than it has been in the last 80 years, even though the dumping of mercury into the waters by industry has increased. Thus, we have nothing to fear from so-called mercury pollution at all. At any rate the environmental movement has given the government justification for greater controls on energy and how it is used, thereby destroying the very conditions favorable for solving the energy crisis.

There are some solutions to the pollution problem, however, that maintain conditions favorable to discovery and incentive and hence a way out of the energy crisis. One way is to refine our definition of property rights. Oscar Cooley developed this idea in the June,

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1972, *Freeman*. Cooley's explanation is based on the fact that the problem of pollution is usually considered to be the primary externality of the modern market economy. Most proposals attempting to solve the pollution problem have at least tacitly assumed that the externalities involved are ineradicable; thus these proposals have almost exclusively involved nonmarket solutions to the problem. Harold Demsetz as long ago as 1967 had suggested that a redefinition of private property rights has often, historically, served the purpose of internalizing, that is, bringing within the market mechanism, externalities of all sorts; Cooley applied this insight to internalize the externalities caused by pollution.

The Case for Private Property

Cooley's argument can be paraphrased as follows. Because of the impossibility of making interpersonal utility comparisons, the question of what constitutes a pollutant must necessarily be given a subjective answer. To use Cooley's example, if a private property owner decides to dump sewage into his pond, he is, in essence, deciding that the highest and best use of the pond is as a cesspool. Although an external observer might look upon this use as a polluting use, unless he is willing to purchase the property to convert it to another use, the use to which the property is being put must be assumed to be the one which maximizes social utility. The implication of Cooley's argument is that private property, by definition, cannot be polluted. Cooley then argues that since private property cannot be polluted, the conversion of public property to private property is the technique by which the externalities of pollution might be internalized. Although Cooley recognizes that certain aspects of the pollution problem might not be solvable without further technological innovation (for example, the invention of the parking meter was necessary before the owner could ration parking spaces via market pricing thus eliminating the divergence between private and social costs), he believes that the problems of water pollution could be solved immediately by selling the inland bodies of water to private owners. Obviously, one of the assumptions of Cooley's argument is that only technical externalities, and no theoretical ones, exist; thus, any externality can be brought within the framework of the market mechanism with a suitable technical innovation. This particular idea would not solve the air pollution problem, but some equally clever idea might do the job.

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This redefinition of private property rights is one alternative future which would not only alleviate the energy crisis immediately but would also create the conditions for a discovery likely to solve it.

Other Interventions Behind the Energy Crisis

Some of the other obvious causes of the energy crisis include so-called consumer protection laws, wage and price controls, and land-use legislation. Our system of taxation also has helped create the "energy crisis." The corporate income tax has been especially important in this respect because of its negative effect on investment. Not only is possible expansion capital from earnings destroyed by taxation, but also young and growing corporations are taxed and hence penalized more than corporations with accumulated wealth, thereby giving larger corporations a competitive edge. As new and vital corporations are an essential part of a free market economy, this type of tax tends to destroy free enterprise, thereby halting economic progress. Also, as any businessman will say, a corporate tax lessens efficiency because the government bears part of the loss in any inefficient investment, this being a common method used by corporations to lessen their tax burden in a profitable year by taking over a company which shows a loss.

The personal income tax also has the effect of distorting the choice of an individual between present and future consumption, favoring the former. As with the corporate income taxes, personal income taxes reduce an individual's incentive to invest, as he knows the government will absorb some of the gains.

No matter how original and creative some of the economic ideas to ameliorate the energy crisis, obviously, any final solution must be a technological one. We must develop new energy sources. We have a limited quantity of fossil fuels and even a relatively limited quantity of uranium in comparison with what our energy wants are likely to be in the next few centuries.

If we reduced our energy consumption, our actual standard of living would not decline nearly so much as some believe. Some people find it paradoxical that decreasing our energy use could actually increase our productivity per unit of other resources. The communications engineer well knows that the "noise" in a channel increases proportionately more than the negentropy flow with increasing power. For example, a horse can convert about one horse-

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power steadily for 10 hours a day and the average horse is about 20 to 25 per cent efficient. However, since horses presently in the U.S. work only 800 to 1000 hours a year, they are only 6 to 7 per cent efficient. A man working 50 hours a week for 50 weeks a year delivers only one-fourth as much energy as a horse, but the horse consumes 10 times as much energy. Thus, a man is two and one half times as efficient as a horse and the use of the horse constitutes a waste of potential energy. The horse is used, of course, because of the rate at which it can deliver energy; during a limited growing season this greatly increases the amount of land prepared for growing.

Another way of saying this is that the hoe culture is more efficient in terms of energy than the plow culture and it is preferable so long as energy is in short supply and labor is abundant. This is the case in a low-energy society being transformed from a high-technology society such as ours.

Many people are supposedly shut out of work because they have only low-technology skills in a high-technology society. These people could be returned to productivity in a low-energy society; thus, total productivity could conceivably even be increased if our energy use were lowered. In this type of society inventions which allow for more intensive cultivation of limited resources would be valued and developed rather than inventions which are power-dependent. An example of this type of invention would be new fertilizers.

The point I am trying to make here is that even if we assume the worst – that we shall discover no new energy sources – under no circumstances will we return to the primitive low-technology life from which we have come, that is, as long as we have freedom. But I think we *will* develop those new energy sources.

Candidates for new energy sources include nuclear fusion, wind power, solar power, tidal power and hydroelectric (gravitation) and geothermal.

Nuclear fusion, which is the source of the energy of the sun and stars, as well as the hydrogen bomb, could be a nearly unlimited source of energy if we could control it. It depends simply on combining two heavy or deuterium nuclei into a helium nucleus. The helium nucleus has less mass than the two deuterium nuclei and the missing mass has been transformed into energy according to the law $E=mc^2$.

Solar power also offers tremendous opportunities, as ten times as much energy from the sun reaches the surface of the earth *each year*

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as all the energy contained in all the coal reserves of the entire world. It seems likely that the next few years will bring great advances in the use of all this solar energy.

Geothermal power is now only a speculation. There is a tremendous storehouse of energy under the surface of the earth as evidenced by geysers and volcanoes; however, at present, we have no idea of how to harness this energy.

Some even more speculative ideas for new energy sources include using the principle of the Foucault pendulum to obtain energy from the rotation of the earth. How this might practically be done is not known at present but is, at least, a theoretical possibility.

Also a pendulum moving through a magnetic field (such as the earth's) will generate an electrical current. Again, the principle is sound but no appropriate technology exists.

Another possibility – which I have further explored in a recently published work – indicates that even the motion of the earth around the sun or a satellite around the earth might be used as a means of generating electrical energy. This may be the energy-cultivating technique which first leads to practical results.

Blessing in Disguise

The energy crisis may be a blessing in disguise in that it has prompted many scientists and engineers to begin thinking anew about promising sources of energy.

One might say that our society based on fossil fuels is analogous to the primitive food-gathering society in which there was a limited amount of game to kill and a limited amount of fruit to pick. Similarly, our fossil fuels seem limited. But how more limited life must have seemed for the primitive food gatherer who did not realize that just around the corner was the invention of agriculture and a civilization based on cultivation. To me this seems to be analogous to the situation we are in. Today we are a society of energy gatherers feeling limited by the quantity of energy we can gather. I think the future holds for us a new age and civilization, a civilization based by analogy on energy cultivation in which we no longer are dependent like the food gatherer on the energy sources which occur naturally, but rather we shall actively create new useful energy by means of one or more of the previously-mentioned techniques. To live at a time which may be the turning point into a new civilization may be the good fortune of us all.

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The 12-Year Sentence

IT IS NOW some thirty years since I first read Isabel Paterson's drastic attack on the compulsory public school as a model of the totalitarian state. I thought at the time that Mrs. Paterson's fierce logic was a little out of place. After all, we had plenty of private schools around in the Nineteen Forties, and our private universities had not yet succumbed to the habit of running to Washington, their tin cups in hand. My feeling was that as long as competition between public and private systems existed, all would be well.

Time, however, seems to be proving the case for Isabel Paterson. With our parochial schools foundering, and our colleges trading in their institutional integrity in return for Federal cash, the State-supported and State-dominated system is winning all down the line. Education is not improved thereby: the mediocre mass holds back the students of distinction. With a quota system of "ethnicity" being substituted, via "affirmative action," for excellence as a criterion of pupil acceptance, the diploma means less and less.

The State has not yet outlawed the high school or college teaching of such things as free enterprise economics or a biology that tells the truth about individual variations, but there is a subtle presumption in our school lounges and on our campuses that political solutions must be sought for all our complex problems. We are becoming a standardized people, ready to accept "controls" without bleating. When the ultimate inflationary blow-off comes, we will be doormats for our first dictator. It will be done by way of "Welfarism"; our Fuhrer, taking a tip from the late Huey Long, will do as Fascists do but will call it Progressivism.

The end results of a State-standardized educational system are becoming more and more apparent even to some of our professional "educationists." What was wildly heterodox when Isabel Paterson was writing is now being accepted as common sense by a wide variety of scholars and legal critics who want a pluralistic society to prevail. These scholars and critics are fortunate in having a few independent foundations such as the Institute for Humane Studies and the Center for Independent Education around to support their

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ruminations by underwriting symposiums. So we have a good book at hand: *The 12-Year Sentence,* edited by William F. Rickenbacker (Open Court, $6.95). The book consists of papers prepared for an education symposium held in Milwaukee, Wisconsin, in the Fall of 1972, with an added introduction by Professor Benjamin A. Rogge of Wabash College.

The Coercive Intrusion

Professor Rogge sets the scene by conjuring up the stuff of our daily headlines. Day in and day out we are subjected to bitter controversy over busing, sex courses, socialist indoctrination, school prayers, the educational role of property taxes, the place of "relevance" in curricula, etc., etc. None of these controversial topics would be particularly bothersome if it weren't for the fact that schooling is compulsory from the ages of six to sixteen. With the State absorbing most of the available education money, few parents can afford to pick private schools that can really educate children without regard to specious standards of relevance or whatever. So an overwhelming proportion of our younger population is now being subjected to what Ben Rogge calls "the coercive intrusion of the collective into the life and mind of the individual."

Professor Rogge says the whole subject of compulsory schooling is "ripe for rethinking," and the contributors to *The 12-Year Sentence* make a good beginning at the job. Murray Rothbard, delving into the historical origins of the idea of compulsory attendance at State-supported schools, tells us about the Saxony School Plan devised by Martin Luther and put into practice through an edict drawn up by his disciple Melanchthon. The Saxon and Württemberg systems created under Lutheran influence were the models for the Prussian system of compulsory schooling. In America, Calvinist Massachusetts (unlike Pilgrim Plymouth) enacted a compulsory literacy law for all children. The law gave judges the power to seize the children of recalcitrant parents and "apprentice" them for State instruction.

Horace Mann in Massachusetts

It was the Massachusetts system that ultimately triumphed throughout most of America. Mr. Rothbard traces the careers of the "educationists" through their school journals. Horace Mann, the editor of the *Common School Journal,* became the first secretary of the Massachusetts Board of Education, and his annual reports during the 1840s promoted the "free" compulsory line throughout the whole country. What Horace Mann did in Massachusetts, Henry Bar-

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nard did in Connecticut, Calvin Wiley in North Carolina, Caleb Mills in Indiana, and Samuel Lewis in Ohio. These are the big names in the adaptation of the Prussian system to the United States. It was all done in the name of "democracy." But it was a "democracy" with an unconscious totalitarian ingredient. The idea, in the words of Samuel Lewis, was to take a diverse population (the new Irish, the German 'Forty-eighters,' etc.) and mould it into "one people."

As Mr. Rothbard says, the moulding was not an easy process. "The pesky Catholics," he writes, "often insisted on establishing their own parochial schools." But quantitatively, the Horace Manns achieved a great success. In 1922 the State of Oregon actually passed a law prohibiting all private schools and compelling all children to go to public school. This seemed the culmination of a dream, but it was interrupted by the U.S. Supreme Court in 1925. In the *Pierce v. Society of Sisters* decision, the Court declared that "the child is not the mere creature of the state." Mr. Rothbard notes ironically that the Ku Klux Klan, in pushing for the aborted Oregon law, had made common cause with the Horace Mann educationists. The Pierce decision, so Mr. Rothbard says, points the way to a fundamental choice: "it will," he writes, "either be *Pierce* and liberty or Horace Mann and the Ku Klux Klan."

Reducing the Options

Other contributors to *The 12-Year Sentence* – Gerrit Wormhoudt, Robert Baker, E. G. West – are concerned lest the American people be cheated out of a choice by the economics of the situation. Our Supreme Court decisions and our statute laws and judicial interpretations may protect the public in its ultimate right to choose between a State-supported system and a private system of education, but when government taxes virtually everybody at a high rate to support public schools there is little left for the private school. Our inflation has made a bad situation almost incredibly worse. Our courts have actually twisted the First Amendment out of shape in regard to the "freedom of religion" clause. It is a negation of "freedom of religion" when a State refuses to refund money, via vouchers or remission of taxes, to citizens who consider it part of their religious duty to send their children to parochial schools.

For money reasons, then, Mr. Rothbard is not likely to see any big showdown between *Pierce* and Horace Mann and the Ku Klux Klan. The latter are winning by

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default. The private school maintains its legal right to exist, but who can afford the luxury of supporting two sets of schools simultaneously?

The fight was lost in Britain, according to historian E. G. West, through negligence. As Britain became more wealthy in the Nineteenth Century, individual enterprise responded by developing private education. But the State school people had the better propaganda. The individual, in Britain, never managed to fight.

We'll need many more symposiums and books like *The 12-Year Sentence* to keep the U.S. from going the way of Britain. There is a formidable educationist hierachy, guaranteeing jobs and tenure to teachers, to overcome if the private school is to be saved. Tax remission would be only a beginning. But the case against compulsion in education is now being cogently stated, and that, at least, is something.

▸ LAW, LEGISLATION AND LIBERTY. Volume 1: RULES AND ORDER by F. A. Hayek (University of Chicago Press, 1973), 184 pages, $7.95.

Reviewed by Henry Hazlitt

DR. HAYEK'S great treatise, *The Constitution of Liberty*, appeared in 1960. In the years since then he has continued to explore at an even more basic level the problems with which it dealt. The present small volume, *Rules and Order*, is projected as the first of three. It is to be followed by a second volume dealing with *The Mirage of Social Justice*, and a third treating *The Political Order of a Free Society*.

Dr. Hayek may seem to be going once more over the same ground as he did in *The Constitution of Liberty*. In certain respects he is. If he had known when he published that book that he was going to proceed to the task attempted here, he confesses, he would have reserved that title for this successor. It is only in the present book, he adds, that he addresses himself to the question: "What constitutional arrangements, in the legal sense, might be most conducive to the preservation of individual freedom?"

The outstanding thesis of this book is that "a condition of liberty in which all are allowed to use their knowledge for their purposes, restrained only by rules of just conduct of universal application, is likely to produce for them the best conditions for achieving their aims."

In explaining this thesis, Dr. Hayek elaborates more fully his contention, which will be familiar

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to his past readers, that both ethics and law had their origin in the tendency of men to develop practices and follow rules without clearly being aware of the social purposes served by those rules. "Man acted before he thought and did not understand before he acted." The rules on which men acted developed over generations of experience. Those societies in which individuals followed superior rules increased their chances for survival. Thus there evolved beneficent practices and institutions which, as the eighteenth-century philosopher Adam Ferguson put it, were "the result of human action but not of human design."

Both ethics and law in their origin emphasized the enormous importance of acting on principle. It was only when men did this unswervingly that they could depend on each other's actions; that they could avoid conflict, maximize peaceful cooperation, help further each other's purposes, and therefore best further their own.

A few other eighteenth-century philosophers, outstandingly David Hume, recognized this. But in the nineteeth century the refusal to recognize as binding any rules of conduct whose justification had not been rationally demonstrated became an ever-recurring theme. As a striking illustration of how this led to immoralism, Hayek quotes from a talk given by Lord Keynes in 1938. Speaking about the time, 35 years before, when he himself was twenty, he said of himself and his friends:

"We entirely repudiated a personal liability on us to obey general rules. We claimed the right to judge every individual case on its merits, and the wisdom, experience, and self-control to do so successfully. This was a very important part of our faith, violently and aggressively held, and for the outer world it was our most obvious and dangerous characteristic. We repudiated entirely customary morals, conventions, and traditional wisdom. We were, that is to say, in the strict sense of the term, immoralists . . . we recognized no moral obligation, no inner sanction, to conform or obey. Before heaven we claimed to be our own judge in our own case."

To which he added: "So far as I am concerned, it is too late to change. I remain, and always will remain, an immoralist."

The reader will recognize in this passage an ominous key to the present. It is the spread of precisely this attitude since then to ever-widening circles that helps to explain the moral and political decay in the last few decades, ranging from politicians in the highest offices who proudly call

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themselves "pragmatists" down to such lunatic-fringe movements as the Symbionese Liberation Army.

Again and again Dr. Hayek emphasizes that "Freedom can be preserved only by following principles and is destroyed by following expediency." The direct effects of any interference with the market order will be clear and visible in most cases, while the more indirect and remote effects will mostly be unknown and therefore disregarded. When we decide each issue on what appear to be its individual merits, we always overestimate the advantages of central direction.

Dr. Hayek applies his principles to ethics, politics, and law: "Law in the sense of enforced rules of conduct is undoubtedly coeval with society; only the observance of common rules makes the peaceful existence of individuals in society possible." Law is older than legislation. Our forefathers thought of law as something existing independently of human will; not as something to be invented, but something to be discovered.

There is not space here to elaborate Dr. Hayek's theme, or to enumerate all his contributions. I must content myself with saying that his analysis of the origin, nature, and function of law is one of the most profound and enlightening ever written.

I have only two criticisms of this book. One is that Dr. Hayek's exposition is conducted too remorselessly on a highly abstract plane. One longs for concrete illustrations or examples, which are almost never offered. This unrelieved abstractness has long been a defect of Hayek's style; but in his earlier books, notably *The Road to Serfdom,* he more than atoned for it by his gift for pithy aphorism. Here he holds on to his sentences too long and over stuffs them with subordinate clauses. This makes for more difficult reading than even the profundity of his thought can justify.

My second criticism is one of substance. Dr. Hayek is adamantly opposed, quite properly I think, to what might be called *ad hoc* utilitarianism. He wishes to emphasize the importance of acting inflexibly in accordance with principle, with established rules. But he admits that ethical and legal progress has been made possible only by the constant "improvement" of these rules. Yet he never specifically asks, what is the *criterion* for deciding how a particular rule is to be improved? It is not merely consistency with other rules. Is it not, in fact, whether a proposed modification is likely to have more desirable social results? And is not this a utilitarian test? Is it not at least a form of

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"*rule* utilitism?" A judge in striving to interpret and perfect the common law, no less than a moral philosopher, must have some criterion in mind. Dr. Hayek rightly rejects all *ad hoc* applications of utilitarianism, but he seems to me possibly to have lost sight of the need for some utilitarian test for rules or laws themselves.

But I do not wish to overemphasize either of these objections. Compared with Hayek's contribution they are minor. This is a book of cardinal importance. It helps to lay more solid philosophical foundations for ethics, law, legislation, and liberty.

▶ THE LIBERTARIAN ALTERNATIVE: *Essays In Social and Political Philosophy*, edited by Tibor R. Machan (Chicago: Nelson-Hall Company, 1974) 553 pp. $12.50.

Reviewed by Allan C. Brownfeld

The Libertarian Alternative, a selection of essays in social and political philosophy, fills an important gap in the literature of American thought.

Thirty prominent exponents of liberatarian ideas argue from their individual perspectives for the restructuring of collectivist institutional, cultural, and intellectual elements to achieve the libertarian alternative of a free society, based on individual rights and functioning through a free economy.

In an essay which introduces the reader to libertarianism, Professor John Hospers declares that, "The political philosophy that is called libertarianism is the doctrine that every person is the owner of his own life, and that no one is the owner of anyone else's life; and that consequently every human being has the right to act in accordance with his own choices, unless those actions infringe on the equal liberty of other human beings to act in accordance with their choices."

Political theories, both past and present, argues Hospers, "have traditionally been concerned with *who* should be the master (usually the king, the dictator or government bureaucracy) and *who* should be the slaves, and what the extent of the slavery should be. Libertarianism holds that no one has the right to use force to enslave the life of another, or any portions or aspect of that life."

To those who agree that the rights of life and liberty are indeed essential, but who denigrate the right to property, Hospers replies that, "the right to property is as basic as the other two; indeed, without property rights no other rights are possible. Depriv-

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ing you of property is depriving you of the means by which you live . . . The right to property is not the right to just *take* it from others, for this would interfere with *their* property rights. It is rather the right to work for it, to obtain non-coercively, the money or services which you can present in voluntary exchange. . . . If one is not free to use that which one has produced, one does not possess the right of liberty."

In an essay entitled "The Anatomy of The State," Professor Murray Rothbard argues that the collective term "we" has "enabled an ideological camouflage to be thrown over the reality of political life. If 'we are the government,' then anything a government does to an individual is not only just and untyrannical; it is also 'voluntary' on the part of the individual concerned. If the government has incurred a huge public debt which must be paid by taxing one group for the benefit of another, this reality of burden is obscured by saying that 'we owe it to ourselves.'"

"'We' are *not* the government . . . the government does not in any accurate sense 'represent' the majority of the people, but even if it did, even if 70 per cent of the people decided to murder the remaining 30 per cent, this would still be murder and would not be voluntary suicide on the part of the slaughtered minority . . ."

In an essay concerning "Skinner's Behaviorist Utopia," Dr. Bruce Goldberg rejects the Skinnerian thesis that man does not possess free will and is, instead, merely a result of his conditioned responses. For Skinner, the only alternatives are "good control" and "bad control." To this, Goldberg responds: ". . . this is simply the product of a bit of sham reasoning. What, one wants to ask, do you say about the possibility of establishing a society in which people are not subject to a rigid conditioning process in the hands of 'behaviorist' engineers, but in which they are able to encounter many and diverse influences and make up their own minds about which they regard as the more important and which the less?" Skinner would reject it. Goldberg, affirming man's unique individuality, believes that anything else would deny man's humanity.

Discussing "Involuntary Mental Hospitalization," Dr. Thomas S. Szasz poits out that persecution of men and women for religious differences, or on the basis of race, may have been eliminated in modern Western society only to be replaced by a new kind of persecution. "Modern liberalism," he writes, "allied with scientism, has met the need for a fresh defense

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of oppression and has supplied a new battle-cry: 'Health.' In this therapeutic-meliorist view of society, the ill form a special class of 'victims' who must . . . be 'helped' – coercively and against their will, if necessary – by the healthy. . . . In the therapeutic state toward which we appear to be moving, the principal requirement for the role of big brother may be an M.D. degree."

Contributors to this collection include Henry Hazlitt, F. A. Harper, Milton Friedman, Nathaniel Branden, Joan Kennedy Taylor, Anne Wortham and Yale Brozen. In seven areas of concern they make penetrating analyses of the relation of justice, liberty, and the individual; the interaction of states and societies; the failure of contemporary statism; the dynamics of free societies in foreign affairs; the response of economics to a free market; and the prospects for and obstacles to libertarianism.

On matters of foreign affairs the libertarians appear especially weak and dogmatic, seeming to misunderstand the very real nature of totalitarianism as represented in this century by Nazism, Fascism and Communism. Accepting a seemingly utopian conception of man as good, and as being corrupted by such institutions as the state, many libertarians would dismantle our military defenses and, in effect, leave us naked before our enemies. They would soon learn that such an approach would not enhance freedom, but would destroy it totally.

Other than this serious blind spot, the thoughtful material in this volume is a welcome addition to a growing debate within the nation about the need to rediscover the dynamics of a truly free society. Libertarianism has much to contribute to that debate, and this volume, edited by Tibor R. Machan, represents a significant survey of a political and social entity which, its supporters believe, "may represent the wave of the future."

▸ THE ECONOMICS OF ENERGY – *What Went Wrong and How We Can Fix It* by Roger LeRoy Miller (New York: William Morrow & Co., Inc., 1974, 131 pp.) $4.95

Reviewer: *Robert M. Thornton*

BUSINESSMEN, in popular mythology, are all in favor of free enterprise. Not so! Like most other people, they are tempted by political favors that will spare them the challenge of competition. They denounce "unfair" competition and argue persuasively that the privileges they want are really for the benefit of consumers! We must re-

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sist these flimsy arguments and insist on really free enterprise . . . for the consumer's sake!

This is the main thrust of Dr. Miller's excellent little book which teaches some important general truths about economics while analyzing the "energy crisis." There is a "crisis," he explains, because we have not had a free market for energy; government interference has distorted the market and as a result we suffer from "shortages" of energy in its several forms.

We hear congressmen denouncing oil companies when it was the government itself that extended privileges to the industry. With equal duplicity the oil companies now protest government interference, although in the past they have sought government favors. Government supported the price of petroleum products by controls on the import of inexpensive oil; and it kept the price of petroleum products down by enforcing price controls on the industry! Naturally we get a mess. As to the evils of an international oil cartel, Miller wisely notes that the urge to "cheat" is unbearable in such situations and that only government can enforce cartel allocation restrictions to hold down supply and keep the price high.

Another government policy that helps bring on an "energy crisis" is the use of fixed rates for electricity instead of charging more during peak periods. The regulators save us from paying the true costs of our actions – the expenses for expanding facilities and reducing environmental damages. Also, the Federal Power Commission has kept the price of natural gas so low that it encouraged high consumption and discouraged exploration for new sources.

Conservation, writes Miller, does not mean limiting the use of a resource but correctly determining what we are to use and when we should use it to maximize the benefits. He stresses the importance of private property rights because when no one owns a particular resource, there is no incentive to use it economically.

Several measures have been recommended to "fight" the "energy crisis." One is price controls, but these are effective only in creating disruptions in the economy; they get people to respond to distorted price incentives. By not allowing the prices of refinery products to rise, they take away incentives to increase supply or reduce demand. Rationing has been suggested, too, but no system would be fair and would lead only to black markets and an expanding bureaucracy. Higher taxes on fuel would have the same disadvantages as price controls and rationing plus they would put more of our money into

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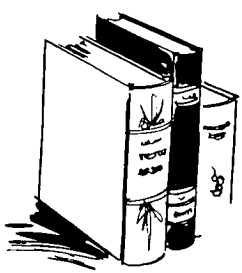
government hands. Setting lower speed limits means more fuel used by trucks than when they are permitted to operate at efficient rates of speed. Also, a reduced speed limit means more trucks will be needed to haul the same amount of goods and that in turn means greater fuel demands. The only answer is the free market.

Miller scoffs at the idea of trying to achieve self-sufficiency regarding energy needs. Prosperity comes from being able to buy where cheapest and to enjoy the benefits of free trade instead of suffering the high costs of protectionism; specialization rather than autarchy means more for everyone.

One would like to see this easy-to-read, relatively inexpensive book widely distributed. It makes so very clear that the free market is not a system designed to benefit only businessmen but one that benefits all of us. We must insist on the free economy for the consumer's sake.



▶ THE TIME IT NEVER RAINED by Elmer Kelton (Garden City, New York: Doubleday & Co., Inc., 1973) $6.95, 373 pp.

Reviewed by Robert M. Thornton

THE HERO of Elmer Kelton's fine contemporary novel is Charlie Flagg, a Texas rancher past middle age. It is man against the elements as Charlie fights to save his herds during a six-year drought, and at the same time live with the social changes of his time – relations between father and son, white Americans and Mexican Americans, ranchers and townspeople, citizens and government. A true hero he is, too, not afraid to take an independent stand for what he knows is right and risk everything to keep his integrity. He was no saint, no unreal character from the storybooks but a real man with all that implies, both bad and good. He could be unreasonably bull-headed and cantankerous. With all his tolerance and fair-mindedness, he still suffered from a prejudice that expressed itself in a mild form of paternalism. The story does not have the conventional happy ending; but, unlike some modern works of fiction, it leaves the reader joyous, not despondent. One puts down the book with tears in the eyes, yet a smile on the face.

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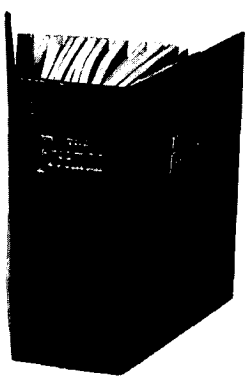
Men and women such as Charlie Flagg and his wife founded and settled this country and made it prosper by taking the bitter with the sweet and accepting responsibility for themselves. Such persons seem to be in short supply today, which may explain why our nation "ain't what it used to be." This independent, yea-saying-unto-life spirit must be recaptured by Americans if we are to have a rebirth of liberty in the "land of the free."

At a time when more and more people not only accept government handouts but demand them as a right, it is good for the soul to read a story, albeit fictional, of a man who refused to go on the dole and willingly faced the consequences of being his own man.



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